PRESS CLIPPINGS

Digital - Capital Link International Shipping Forum
March 30th & 31st 2020
In partnership with Citi
In cooperation with Nasdaq and NYSE

Three weeks before its due date, when the majority of other events were cancelled or postponed, we decided to proceed with our flagship 14th Annual Capital Link International Shipping Forum and convert it into a digital forum adapting to the current reality. It is especially in periods of uncertainty and crisis when we need to keep our sense of community, the industry connectivity and the information flow.

The result? As a testament to technology connecting people all over the world to a single platform, over a two day period over 3,044 registrants had the opportunity to attend 22 online sessions, with 96 industry leaders including top executives from 36 shipping companies. And 142 meetings took place digitally between shipping companies and investors hosted by Citi and Capital Link. And the number keeps increasing daily as delegates log in to access the replays of this library of information which covers all critical topics of the shipping industry, including the fundamentals and outlook of all major shipping segments, the energy and commodity markets, finance and capital raising, regulation, technology, environmental compliance, alternative fuels and a lot more.

In partnership with Citi, in cooperation with the New York Stock Exchange (NYSE) and NASDAQ and with the support of our sponsors who stood by this pioneering endeavor, we delivered the first large scale digital shipping conference, a project of significant complexity that thankfully we were able to execute without major hiccups within a very short period of time. We have been overwhelmed with the positive response from the industry and the media, as the proceedings of the forum have dominated the headlines for days.

A picture is worth a thousand words, and in our case a video is worth even more, as we saw industry leaders from all Asia, Europe, the Americas, connect on video and address a global audience from their home office. It was a moving and empowering act which shows the resilience of the industry and its ability and determination to navigate through the current crisis.

We thank all media correspondents for their extensive and informative coverage and for bringing expert insights from our forum to their readers.

Thank you for all your support!

Capital Link Team

LIST OF CONTENTS:

Cheap LNG will create demand, squeeze out coal and benefit freight, say owners

(Clockwise from left) Capital Link's LNG panellists of Flex LNG's Oystein Kalleklev; Mark Kremin of Teekay Gas Group; Iain Ross of Golar LNG, Michael Webber of Webber Research; and Jefferson Clarke of Poten & Partners.Photo: Lucy Hine

Current market is enjoying an uptick in rates on the back of multi-month chartering and increased floating storage

30 March 2020 18:09 GMT *UPDATED 31 MARCH 2020 12:38 GMT*

By Lucy Hine in **London**

Low LNG prices will create new downstream demand that will benefit freight and squeeze out competing energy sources, such as coal, according to Golar LNG and Flex LNG.
Speaking in an LNG session at Capital Link's online conference chaired by Webber Research founder Michael Webber, Golar LNG chief executive Iain Ross said the market is likely to see increasing interest in floating storage and regasification units.

LNG cargo cancellations likely in coronavirus hit market

"As low LNG prices are maintained over the coming months and perhaps years, we should see an uptick in the interest in FSRUs as gas becomes a low-cost cheap form of entry into gas-fuelled energy," Ross said.

He said the downstream market will continue to grow on the back of low-cost LNG, highlighting two LNG terminals Golar is developing in Latin America, where he said the pricing was making the switch to gas for customers an "even more attractive proposition" than it had initially been.

Ross added that when the industry gets sight of the future of LNG pricing then FLNG projects will also become attractive.

We will be drowning in a lot of cheap LNG and that is going to create demand and demand for freight.

Oystein Kalleklev

Flex LNG chief executive Oystein Kalleklev said the oil price crash could be good for the freight market.

He said, right now, LNG is cheaper than coal — which he described as the junk food of the energy market.

Kalleklev said the market could possibly see contract LNG prices fall below spot levels as autumn approaches and stressed that Covid-19 is a respiratory disease, so the switch to gas is also a health issue.

"We will be drowning in a lot of cheap LNG and that is going to create demand and demand for freight," he said.

Positive impact

Panellists said the current LNG market is experiencing an uptick in spot charter rates and a surge in interest for multi-month charters.

Teekay Gas Group chief executive Mark Kremin said his company has just fixed one vessel to an international trader and expects to lift subjects soon on another ship that will be chartered to an Asian utility. He said both are multi-month charters that will run through the coming winter period, which will give the company 98% cover on its 47-vessel fleet.

Poten & Partners managing director Jefferson Clarke said energy major charterers are "playing it very conservative" and chartering in tonnage to give them cover rather than subletting out their ships.

Flex LNG eyeing up buying opportunities for modern tonnage

He said this, and an uptick in floating storage, is going to have a "positive impact on the market".

Kalleklev said Flex currently sees about 15 LNG carriers in floating storage mode.

Clarke said the brokerage, which measures floating storage as a percentage of LNG on water as to what was imported per month, logged it at historical lows of 37% at the end of February but is now seeing this climb back up again as fleet speed drops.

The three shipowners on the panel also stressed the need to support their crews during the current coronavirus pandemic.

Kremin said crew relief is "pretty much impossible" right now. He added that over time this could become a bigger issue.(Copyright)

Transportation – Shipping
Capital Link forum: COVID-19, IMO 2020 and oil glut = Positive crude tankers

Industry Overview
Equity | 31 March 2020

COVID-19, IMO 2020, oil glut; positive crude tankers
We attended Day 1 (of 2) of the 14th Annual Capital Link NY Maritime Forum (virtually), which included shipping corporates, shipowners, financiers, and investors across the global maritime supply chain. Our key takeaways include: (1) Crude tankers are enjoying an environment 'not seen over the last 25 years,' according to International Seaways CEO Lois Zobracky, (2) Fuel spreads between Very Low Sulphur Fuel Oil (VLSFO) and High Sulphur Fuel Oil (HSFO) are expected to re-widen as fuel prices moderate, (3) Chinese demand should recover as shipyard operating rates are nearing 100%, (4) ESG is taking a back seat as economic growth recovers.

90 days into IMO 2020; fuel spreads to re-widen
With International Maritime Organization (IMO) 2020 regulations now 90 days in effect, fuel spreads between VLSFO & HSFO have varied widely, impacting the economics on scrubber installation. Despite spreads narrowing to $90/t in March (from +$250/t in January), as Saudi crude oil flooded the market, panelists believe that spreads will re-widen as the price of HSFO begins to moderate (it has remained roughly flat YTD vs VLSFO down ~35%). Fuel compatibility issues have been relatively diverse across the first 10 weeks of 2020, a positive, with only four of 15 bunker alerts relating to VLSFO (5 related to distillates, 6 related to HSFO). Fuel availability remains strong, with fuel management company VPS noting VLSFO was ~65% of the fuel it accounted for at the Ports it serviced in February.

China is back, finishing existing orders; rush to close deals
While Chinese shipyards were opened ~1.5 months ago, labor has only recently returned, focusing resources on existing ship orders, as new shipbuilding activity dries up. This contrasts with '08/09, when new-builds comprised 50%+ of the fleet vs. current orderbooks for crude tankers at less than 10%. Coupled with the potential to have double the amount of crude at sea vs 2014-'16 (from Saudi Arabia), driving demand for storage, we expect a robust backdrop for crude rates through 2020. The pandemic has also sparked a rush to finish financing deals, as the spike in funding costs for non-dollar denominated currencies begins to impact deal economics. With tankers at or below mid-cycle, we see considerable upside to asset prices looking through COVID-19, which in our view, are yet to reflect strengthening longer term market dynamics.

LNG rates rising off March lows; FSRU demand increasing
Fleets entering floating storage (measured as LNG on water / LNG imported per month) have increased amid lower Asian LNG import demand from COVID-19. This led spot LNG TFDE rates to ~$45k, from ~$30k at the beginning of March. With Golar LNG diversifying away from its spot carrier fleet into its downstream operations (1.5GW Sergipe power plant set to begin operations this week), CEO Iain Ross re-emphasized the benefit of a lower cost LNG environment (with prices below $2/mmbtu) to its earnings potential, increasing the attractiveness of conversion from diesel to LNG.

Maintain Buy on top picks TNK, STNG
We maintain Buy on our top picks in the Shipping sector: Crude tanker Teekay Tankers (TNK, $24.23, C-1-9) and Product tanker Scorpio Tankers, (STNG, $20.67, C-1-7).

Ken Hoexter
Research Analyst
BofAS
http://rsch.baml.com/auth?targetURL=http%3A%2F%2Frsch.baml.com%2Fr%3Fq%3DfMvSjjzWgBlCYNeD00HeWw%26e%3Dnbornozis%2540capitallink.com%26h%3D5ILyoQ&l=eng

LNG Spot Charter Rates on the Rise as LNG Floating Storage Economics Improve

Here are the takeaways from this week's LNG shipping panel at the Capital Link Forum: After weakening since October 2019 into early March, LNG spot charter rates have bottomed and are now on the rise as floating storage demand once again starts to build and recent pricing dynamics fuels geographical arbitrage trading from Europe to Asia. Longer-term, we believe low spot LNG prices will spur additional longer-term FSRU and downstream power generation demand.

Insights

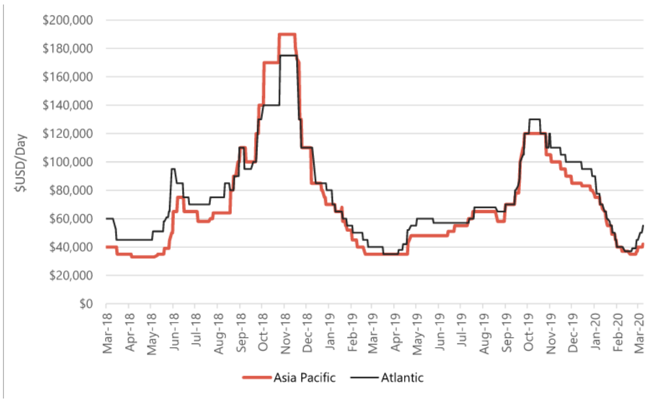
LNG Spot Charter Rates Weakened Since 4Q19 But Now On The Rise. LNG spot charter rates hit a seasonal peak in October 2019, but have decreased almost every week since then due to mild winter weather conditions, falling demand related to COVID-19, and ships coming back into the trading market from floating storage (see chart 1 on next page). Spot rates hit a bottom of $37,000/day in early March, but have risen to over $50,000/day in the Atlantic trade in recent days. A combination of short-term geographical arbitrage trading and vessels going back into the floating storage market has put upward pressure on rates.

Floating Storage Discharged Last Month, Now Beginning To Rebuild. The LNG shipping market improved significantly into October 2019 as winter inventories were built in both Asia and Europe. Spot charter shipping rates also experienced seasonal strength as increased fixture and floating storage activity peaked during 4Q19. This was followed by significant discharging of floating inventories into January and again into March (see chart 2 on next page) which put downward pressure on spot charter rates and utilization as ships came back into the trading market. Floating storage is once again ramping up as there is a contango for both spot LNG prices and contracted LNG prices linked to oil.

LNG Demand Negatively Impacted By COVID-19, First in Asia, Now in Europe. Monthly LNG export fixtures fell in February (see chart 3 on next page) as demand contracted due to mild winter weather as well as the spread of COVID-19. Chinese demand peaked in December, exceeding Japan for the first time, but fell during 1Q20 (see charts 4 and 5 on the next page). As Europe continues to feel the impact from COVID-19 while China is starting to recover, there has been a short-term geographical arbitrage window that is boosting rates. To note, the shipowners stated there have been no force majeure claims on LNG shipping charter payments.

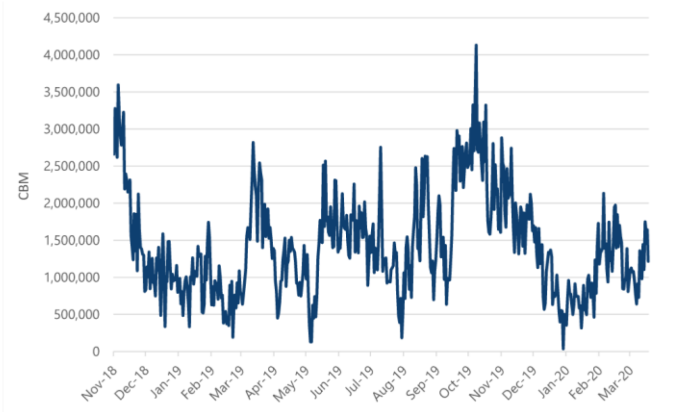
Future Downstream Demand Will Be Supported By Low LNG Prices. While new liquefaction projects are on hold as Northeast Asia front-month delivery prices for LNG have remained below $8/MMBtu since early-2019 (see chart 6 on next page), we believe lower LNG prices will have a positive impact on long-term downstream demand for gas, especially in China where coal-to-gas switching would have a significant positive impact on air and environmental quality. Additionally, India will continue to ramp up LNG imports over time, notwithstanding the current 21-day quarantine. We believe this will help support demand for LNG transportation as well as floating storage regasification units (FSRU) and downstream power generation projects (i.e. Golar Power in Brazil).

Chart 1 - LNG Spot Charter Shipping Rates ($USD/Day)



Source: S&P Global Platts

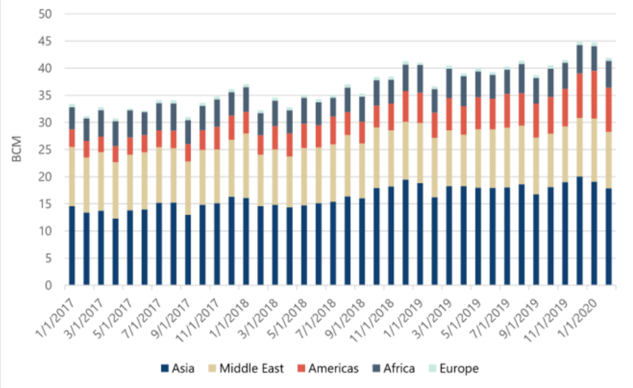
Chart 2 - LNG Floating Storage (CBM)



Source: Refinitiv Eikon

Chart 3 - Monthly LNG Exports By Region (BCM)

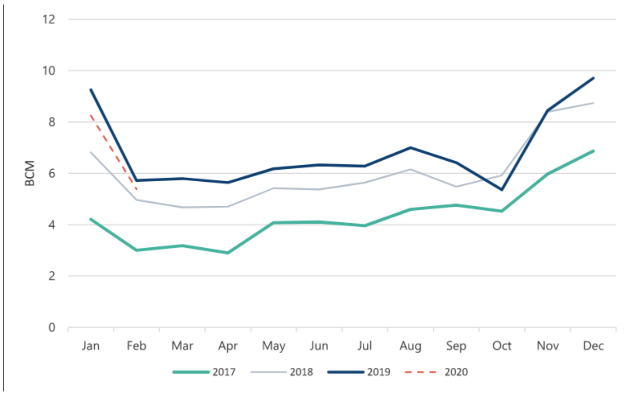
Chart 4 - Monthly Imports of LNG By Country (BCM)



Source: Refinitiv Eikon

Source: Refinitiv Eikon

Chart 5 - Chinese LNG Imports By Month (BCM)



Source: Refinitiv Eikon

Chart 6 - Northeast Asia JKM Front Month Delivery Price ($USD/MMBtu)

Source: S&P Global Platts

Randy Giveans, Christopher Robertson, Chadd Tribo
31 March 2020
Jefferies LLC / Jefferies Research Services, LLC

https://javatar.bluematrix.com/sellside/EmailDocViewer?encrypt=248e901e-5954-45bf-b59d-ff6de9b71ffc&mime=html&co=Jefferies&id=shipping@capitallink.com&source=mail

Global LPG demand to take a hit as coronavirus spreads

Short-term demand is taking a hit from the pandemic, according to Poten & Partners. However, long-term fundamentals are still positive

31 Mar 2020
NEWS

Nidaa Bakhsh

The long-term view is 'music to the ears' of owners such as Exmar, whose executive director of shipping was participating in a Capital Link panel discussing the outlook and trends for the sector.

DEMAND growth this year has been slashed for the liquefied petroleum gas sector as economic activity around the world slows due to the coronavirus pandemic, according to Poten & Partners, which has made further downward revisions to estimates.

According to LPG senior analyst Zahid Afzal, Chinese demand will come in at about 62.3m tonnes, down from 62.5m tonnes in [last month](#)'s forecast, while imports will fall to about 24.3m tonnes from 24.7m tonnes. In January, the forecasts were 64.6m tonnes and 26.3m tonnes, respectively.

Smaller revisions were made to Asia Pacific as demand for cooking fuel continues, he added. Imports into the region will hold between 72m and 73m tonnes.

Indeed, [India's demand is expected to rise](#), with imports at 15.1m tonnes, a 2% upward revision from the consultancy's February forecast.

However, demand in Europe and the Mediterranean sees further falls to slightly less than 47m tonnes this year, with imports dropping to 28.6m tonnes, according to the Poten analyst.

Meanwhile, US LPG production growth is expected to slow due to low oil prices, he said, resulting in fewer exports than previously estimated, even into 2021.

Recovery overall will be slow, he added.

Despite the short-term headwinds that will see lower growth than otherwise expected, global seaborne trade is still expected to increase, at 8% this year to 117m tonnes versus 2019, with a further 5% gain to 122m tonnes in 2021.

Only a prolonged downturn in oil prices could impact the market further, Mr.. Afzal said.

The long-term fundamentals of the sector were "music to the ears" of Exmar's executive director for shipping Jens Ismar, who was participating in the Capital Link panel discussing the outlook and trends for the sector. His fleet was largely booked for this year.

Other owners such as Avance Gas and Dorian LPG said they could mitigate any short-term demand shocks with strong balance sheets.

Dorian LPG chief executive John Lycouris said he had seen a lot of activity in the spot and period markets, with some cargoes starting to make their way to China from the US.

Looking at the share prices across the board, no impact has been seen, as long-term fundamentals still look positive, according to Avance Gas' chief executive Ulrik Andersen. Some of his fleet were booked out at $40,000 per day.

https://lloydslist.maritimeintelligence.informa.com/LL1131740/Global-LPG-demand-to-take-a-hit-as-coronavirus-spreads

LNG market gets fillip from low gas prices and floating storage contracts

Capital Link conference is told that vessel availability is shrinking as energy majors, traders and utilities scramble to cover themselves for next winter

31 Mar 2020
NEWS

Nigel Lowry

Energy majors that not long ago had been looking to sub-let vessels in the market are now a source of new fixtures.

LOW liquefied natural gas prices and demand for floating storage may buoy the LNG carrier market for a good while, according to leading pundits from the sector.
“There has been a big spike in floating storage, from zero ships to about 25 ships and at significant freight rates,” said Oystein Kalleklev, chief executive of Flex LNG. “It has been strengthening in the last two to three weeks,” he told the Capital Link International Shipping Forum, held online rather than in New York because of the coronavirus pandemic.
“We will be drowning in a lot of cheap LNG and that is going to create demand,” he said.
Mr. Kalleklev said the low price of oil had fed into gas contract prices, meaning “the whole LNG market will be in contango”, which would benefit shipping.
“Right now LNG is cheaper than coal,” he added. With coronavirus shaping global health policies, it was likely that cheap gas would increasingly be preferred to burning coal during the current crisis. “This will also increase demand,” he said.
Another participant in the LNG session, Jefferson Clarke, managing director for LNG at Poten & Partners, also saw heightened market activity.
“We clearly see floating storage as a safety valve for the LNG market for the next few weeks and maybe for the next few months,” he said.
Poten calculates floating storage through looking at the percentage of monthly imports represented by LNG “on the water”.
By this measure, the amount of LNG on the water had hit “historical lows” of 37% in February, compared with 68% back in October last year.
“But we are seeing that coming up again as fleet speed drops. This is going to be good for LNG,” said Mr. Clarke.
Energy majors that not long ago had been looking to sub-let vessels in the market were now a source of new fixtures.
“We are looking at availability shrinking very rapidly,” said Mr. Clarke. “A lot of charters are playing it very conservative. Charterers want to make sure they have enough ships for the winter, which requires them to take vessels now on six- to 12-month charters.
Mark Kremin, president and chief executive of Teekay Gas Group, also testified to a surge in chartering.
“Traders and utilities see immediate demand,” he said, adding that the impact on the LNG sector so far from coronavirus had been more on expenses and crew conditions rather than on the revenue side.
“We have not seen any sign that charterers will seek to renegotiate or cancel,” he said.
Under standard LNG time charters, there were either no force majeure clauses or incidents would have to last for 12 months or more.
On the other hand, relieving crews was proving to be “pretty near impossible now,” said Mr. Kremin.
The effective isolation of crews had a positive aspect in helping to “harden” the vessels against infection in the short-term.
“We have stocked up [with fresh provisions] and maybe it’s the best place for these guys at the moment, but after some time it’s going to be a problem,” he said.
Mr. Kremin called for an “industry-wide” push at NGO or governmental level to assist crew replacements and travel.
https://lloydslist.maritimeintelligence.informa.com/LL1131761/LNG-market-gets-fillip-from-low-gas-prices-and-floating-storage-contracts?vid=Maritime&processId=b82a1b22-e4b5-48a9-8354-d83b6de42364

Coronavirus: Container shipping singled out as weakest segment

Looking for bright spots, analysts are completely aligned on the strength of the crude oil tanker segment, noting that Saudi Arabia's current oversupply of the oil market is creating relatively sustainable demand and likely to continue

31 Mar 2020

ANALYSIS

Eric Watkins @EricWatkins_ Eric.Watkins@informa.com

A structural problem — 'such as liquidity issues' – with one of the big players in the container shipping market is not out of the question

CONTAINER shipping shows great uncertainty in the current economic downturn, while crude oil tankers represent the strongest segment, followed by dry bulkers, shipping analysts told a conference.

In fact, all five sectors of the shipping industry could be undermined if the current downturn in the global economy continues to deepen, according to Stifel Financial Corp managing director Ben Nolan.

"What we really haven't touched on is the possibility that we are in the earlier stages of a global recession or a global depression, and if that's the case, demand for all of these things is going," Mr. Nolan told the 14th Annual Capital Link International Shipping Forum.

"I'm not suggesting that that's going to happen," Mr. Nolan said, but he noted that we are in "unprecedented times" and it is "probably a little bit naïve" to assume that things are going to "automatically" return to normal.

He expressed concern for container shipping, especially if the industry were to end up with a structural problem — "such as liquidity issues" — with one of the big players in the container shipping market.

Webber Research & Advisory managing partner Michael Webber agreed with that assessment of container shipping, saying that "of all the segments, this is the one I'm most nervous about".

He underlined the issues of liquidity raised by Mr. Nolan, saying that "CMA CGM is showing some stress on their balance sheet" and that — "without naming names" — there are "half a dozen companies that are less healthy".

Stable tanker demand

By contrast, the analysts were completely aligned on the strength of the crude oil tanker segment, noting that Saudi Arabia's current oversupply of the oil market is creating relatively sustainable demand and likely to continue.

"You have just a lot more flow, a lot more logistical patterns that are really tying up vessels for much longer," said Omar Nokta, managing director of equity research for Clarksons Platou Securities.

Mr. Nokta also noted that we will eventually "transition to a need to store oil at sea as we run out of source space on land. And so we're going to be tying up ships for longer periods just purely from floating".

The analysts did not believe that Saudi Arabia would be curtailing its flow of oil any time soon, but Mr. Webber did note that its current rates of production could "really cripple" production from the United States in the next four to six months, taking upwards of 1m barrels per day offline.

"I'm not suggesting that's definitively going to happen, but I do think that it can take a little of the edge out of some of the optimism for the tanker market," he said, noting a potential reduction in the shipping of crude oil from the US Gulf.

Mr. Nolan saw a link between crude and product shipping and said both "segments do relatively well in the near term".

But he also noted that the product tanker market is more a function of underlying demand, while the crude tanker market is more a function of underlying supply.

"Right now," he said, "underlying demand is not as good" and "hopefully we get a recovery".

On the question of LNG, the analysts were less clear, noting that only "a handful" of large-scale projects can reasonably be accomplished in the current environment of over-supply, while smaller scale endeavours might have a better chance of success.

The outlook for LNG is a "mixed picture", according to panel moderator Aristides Pittas, chairman and chief executive of Euroseas and Eurodry.

But matters are very different for dry bulk shipping, according to panel members, who noted a coming uptick in demand from China as its shrugs off the worst of the coronavirus outbreak and its factories seek more raw materials.

"It's not sexy per se, like very large crude carriers, where we're talking rates of over $100,000, but dry bulk is on an improving trend," said Mr. Nokta.

https://lloydslist.maritimeintelligence.informa.com/LL1131746/Coronavirus-Container-shipping-singled-out-as-weakest-segment

Alternative financing is still available — at a price

Alternative sources of finance have evolved as traditional bank lenders reduced their portfolios, but Capital Link panellists warned that the cost of such finance would be high

31 Mar 2020
NEWS
Richard Clayton @rjbclayton richard.clayton@informa.com

There is no shortage of finance for shipping despite traditional lenders becoming extremely cautious. However, shipowners are advised to shop around carefully for the best deal available

BANK LENDERS ARE LIKELY TO BE MUCH MORE CAUTIOUS FOR THE FORESEEABLE FUTURE AS THEY WILL FAVOUR STABILITY OVER RISK.

THE steady withdrawal of traditional bank lenders from the shipping market in recent years has opened the door for providers of alternative financing.

However, speakers at this week's Capital Link Forum stressed that the coronavirus outbreak has given the market, and therefore the appetite for lending, a severe jolt.
Speaking — via video link — on the Alternative Finance panel session, Ole Hjertaker, chief executive of New York Stock Exchange-listed shipowner SFL Corp, said the health crisis would drive a huge flow of funding from risk towards stability.

"The corporates are building robustness going into the storm," he said, adding that financiers will be much more cautious, with the result that while strong brand names will continue to find funding for new projects, "smaller companies will struggle".

Robbert Jan Sougé, managing director at Direct Ship Finance, which focuses on European and US private and family owned shipping companies, picked out an underlying nervousness in maritime markets over the past six months.
He listed the US-China trade spat, new sulphur cap rules, coronavirus, and most recently the plunge in oil prices.

"It is possible that all these factors will be temporary, but our [lending] methodology has always been based on a cyclical approach. Where are we in the cycle?" he asked.
However, all the panel members believed there would still be opportunities for alternative finance.

Nicholas Duran, a partner at Fearnley Securities, said that although traditional lenders had become "extremely cautious", non-traditional lenders in China and Japan were still open for business.
But he warned shipowners that if they need financing quickly it would be expensive. "If you have a month or two to spare, we can find you something better and cheaper," Mr. Duran advised.

Ole Hjertaker agreed that availability of finance wasn't the issue, rather "where it's coming from and what it will cost." He said traditional lenders had learned to understand shipping's volatility and took a longer-term view of the market.
This understanding might not be the case with new providers. However, as fewer companies can access traditional sources, discussions would need to go deeper with alternative providers.

George Cambanis, managing director of Yieldstreet Marine Finance, explained how successful online investment has been. Launched in mid-2018, Yieldstreet's model is to "place an investment opportunity online, socialise it and look for small participation to fund that opportunity".
In less than two years, Yieldstreet has 250,000 investors and $1.2bn under management.

“We see ourselves as opportunistic,” Mr. Cambanis said. “Opportunities are taken very quickly — typically in 20 or 30 seconds.” He added that the model is unlikely to be disrupted by environmental, social and governance policies such as the Poseidon Principles.

“Shipping is a slow mover. It takes a lot to change things like ship or engine designs. I think lenders are mistaken to believe they can change the industry.”
Sole Shipping partner Hans Oust Heidberg commented that for his business, ESG is important to the counterparties and investors.

The company was founded in 2004 and focuses on acquiring vessels on sale and leaseback structures, with reputable counterparties, under a bareboat charter agreement. Mr. Heidberg stressed the importance of good personal relationships as the foundation of the model.
Concluding the panel session, Mr. Duran pointed to diversity and fragmentation in the alternative financing sector. “There are so many players, so many segment types. There is something out there for every type of shipowner,” but he warned “some alternative finance deals will be expensive”.
https://lloydslist.maritimeintelligence.informa.com/LL1131754/Alternative-financing-is-still-available--at-a-price

Product tanker spot rates rise alongside crude tanker rates

Product tankers in the spot market are earning big money, but cannot find long-term charters

31 March 2020 20:39 GMT UPDATED 1 April 2020 13:48 GMT

By Matt Coyne
in Stamford

It is not just crude tankers cashing in on the oil price war.

During Capital Link's online forum Monday, Scorpio Tankers president Robert Bugbee said that while VLCC rates have stolen the show by earning more than $200,000 per day, product tankers are doing just as well.

"If you look at size for size or deadweight for deadweight, LR2s approaching [$60,000] is every bit as good or MRs approaching [$30,000] is every bit as good as what’s going on in the crude oil market," Bugbee said.

"Dollar for dollar, the product market is doing just as well as the crude market is doing."

Oil prices cratered earlier this month, when Saudi Arabia cut its prices and began flooding the market with oil after it failed to reach an agreement with Russia over a supply cut.

The move sent benchmark prices tumbling, with WTI crude prices falling to $20.09 on Monday, before rising $0.24 to $20.31 on Tuesday. Brent crude prices remain depressed, dipping $0.41 to $26.01.

The Baltic Clean Tanker Index had been on an upturn when the oil price war started, rising to 717 points on 9 March. On Tuesday, the index jumped six points to 866, the highest since the first full week in January.

On Tuesday, several routes were higher, with larger ships on a Middle East Gulf-to-Japan voyage up $1,437 to $53,548 per day, while ships headed to Europe from the Middle East Gulf jumped $2,255 to $37,185 per day.

However, things are not as bright in the time-charter market, Pyxis Tankers chief executive Eddie Valentis said.

"It is quite difficult to find a lengthy time charter now. The maximum you can do is a year and the rates have fallen since the end of last year," he said.

For an eco, non-scrubber fitted product tanker, Valentis said he could get $17,000 per day, maybe a little more "if you're lucky".

Those rates are down from the $19,000 per day those ships were earning at the end of 2019.

"I think everybody's a bit sceptical about how the market will be in the near future in the next quarter," he said. "For the long term, we're all very positive."(Copyright)

https://www.tradewindsnews.com/tankers/product-tanker-spot-rates-rise-alongside-crude-tanker-rates/2-1-785221

Whatever follows coronavirus, shipping will inevitably change

Short-term chaos created by the pandemic is visible to all, but its long-term impact will likely be game-changing

1 April 2020 10:55 GMT UPDATED 1 April 2020 10:55 GMT

By Terry Maclister
in London

What will shipping and the wider world look like when it emerges from the coronavirus pandemic? A crisis of this kind — akin to war — has often been followed by profound change. We have certainly seen unusual sights already: from the global fleet of cruiseships tied up at port to online maritime cocktail parties.
More surprising has been to see democratic governments shutting down schools, banning public meetings and "locking up" citizens in their homes.
World leaders committed to cutting public spending and shrinking the state have suddenly done amazing U-turns

Felling shipbrokers

Richard Fulford-Smith has already predicted "the world's greatest ever black swan" will fell the weaker shipbrokers.
The Affinity boss said his sector would return to the real roots of the trade, where highly experienced staff would offer top advice to shipowners.
The scale of the corporate carnage will depend on how long the lockdown in the US and Europe goes on. Already, there are signs of China returning to normal.
The Purchasing Managers' Index, a gauge of manufacturing activity, came in at 52, up from 35 in February and much higher than analysts had expected.
But the World Bank is still saying this "unprecedented world shock" will slow Chinese economic growth from 6.1% last year to 2.3% in 2020.
Global output is expected to fall into negative territory, according to S&P Global Ratings. This can only lead to shipping industry job cuts and some bankruptcies.
Many shipping companies — particularly in dry bulk — were just coming out of intensive care before they were hit by a pandemic and global trade slump
The tanker industry is cashing in on the back of oil prices collapsing to below $20 per barrel — more due to the oil price war between Russia and Saudi Arabia than Covid-19.
But the rest of the industry is potentially in the deep freeze.
Many shipping companies — particularly in dry bulk — were just coming out of intensive care before they were hit by a pandemic and global trade slump.
Deutsche Bank gave up following a quarter of shipping stocks four months ago on the basis they were too small to bother with. Now there is speculation that others will follow amid plunging shipping stock values.
The fact that Carnival Corp is attempting to raise $6bn in emergency funds from banks and shareholders underlines the crisis facing the cruise sector.
But what wider changes could be seen? Will the pandemic shock convince manufacturers to shorten or diversify supply chains?
Will employers refine a wider social responsibility and think twice about short-term contracts or be driven by fear to introduce even more?

Virtual world

The move by Capital Link to hold its New York shipping forum online this week could be the start of many such ideas.
The stock capitalisation of video conferencing company Zoom has soared to $42bn, which is larger than all of the US airlines put together.
We were already moving to a weightless world, where more and more economic activity was taking place in digital form. But the pandemic has accelerated this.

While many have been laying off workers, Amazon has taken on 100,000 new staff. And these digital giants are moving from online to offline, with physical food retailing and logistics.

Will there be much more appetite, post-pandemic, for digital and algorithm-based risk futures trading or ship chartering?

Will shipowners, having broken out of "normal business" mode and looking for cost savings, be more open to a future of crew-less vessels?

And will shipping and the rest of the world deem Covid-19 a wake-up call for the even bigger threat of climate change? Or, will everyone decide they cannot afford all that "green stuff" now?

Another interesting question is whether the pandemic will enable China to emerge in a stronger economic state than its super power rival the US, enhancing Beijing's strength in geopolitics and more specifically the maritime sector.

The flu that hit Europe after World War I led to the creation of the welfare state, while the Wall Street Crash of 1929 brought about the government-funded New Deal work programme in the US.

Bank bailouts

The massive bank bailouts saved the financial institutions but were paid for by sweeping austerity measures that hit the poorest the hardest.

That, in turn, undermined popular faith in capitalism and heralded a return to nationalism that brought Donald Trump, Boris Johnson and others to power.

The coronavirus crisis seems to have produced more caring communities, but who will pay the bill for the massive state spending sprees now underway?

Even as Trump rails about the "Chinese virus" and a blame-game starts, there is determination elsewhere to move to a new world of caring capitalism and global cooperation.

It would be ironic, indeed, if the coronavirus could "heal" the world and bring it back together again — but history suggests it could go either way. For sure, shipping is sailing towards change.(Copyright)

https://www.tradewindsnews.com/opinion/whatever-follows-coronavirus-shipping-will-inevitably-change/2-1-784856

Frontline's MacLeod: Floating storage opportunity 'generational'

Tanker rates remain hot as the Saudi Arabia-Russia oil price war continues

1 April 2020 9:20 GMT UPDATED 1 April 2020 13:47 GMT

By Matt Coyne
in Stamford

The recent run in tanker rates in the face of widespread demand destruction is not just rare, it is generational, according to Frontline chief executive Robert Hvide MacLeod.

"What we're seeing in the oil markets, what we're seeing in the tanker markets is unprecedented," MacLeod said during Capital Link's online tanker-owner panel on Tuesday.

The New York-listed company's head said he believes the world is oversupplied by 20m barrels per day, with more oil coming on the market due to the Saudi Arabia-Russia price war and the 300m barrels-worth of online storage quickly being filled.

"It's now really kicking off, the storage on ships," MacLeod said. "It's about to change this market and change 2020 completely."

Earlier this month, Opec, led by Saudi Arabia, and its Russia-led allies were unable to come to an agreement on a supply cut. The disagreement saw Saudi Arabia cut its prices and flood the market with oil.

With more cargoes available, tanker rates soared, with the Baltic Dirty Tanker Index (BDTI) rising from 778 points on 9 March to 1,518 on 16 March. After cooling off, rates have since risen again, with the BDTI hitting 1,394.

On Tuesday, data from Tankers International, showed Saudi Arabia's shipping arm, Bahri, chartering two ships at Worldscale 250 — the 296,900-dwt Island Splendor (built 2011) and the 300,600-dwt Sea Jade (built 2020). Both charters were done on subjects.

Fearnleys said in a note that as many as 200 of the world's 813 VLCCs could be fixed for floating storage, further boosting rates it said hit $214,800 per day for a voyage from the Middle East Gulf to South Korea.
Euronav chief executive Hugo De Stoop told the panel that his company was being approached by charterers for six-month to nine-month deals ranging from $70,000 per day to $95,000 per day either entirely or partially for floating storage.

He said the older tankers being used for floating storage would likely be scrapped once they came off charter.

"Not only do we have an extremely limited [orderbook] — and probably even fewer in the future — but on top of that, we have a lot of old ships that will be good candidates to be scrapped if and when our rates start to be weak," he said. "The future is very bright."

MacLeod and De Stoop's comments echo those made by International Seaways chief executive Lois Zabrocky on Capital Link's online forum on Monday afternoon.
Zabrocky said demand was so high that product tankers would begin being used as storage.

"This is something we have not seen in the 25 years I've been in the business," she said.(Copyright)

https://www.tradewindsnews.com/tankers/frontlines-macleod-floating-storage-opportunity-generational/2-1-785205

Parker, Henderson team to keep green shipping in the frame

Themes like carbon emissions have become overwhelmed by the chaos of a coronavirus world

31 March 2020 23:15 GMT UPDATED 31 March 2020 23:24 GMT

By Joe Brady

They seem to have faded away, those storylines that made up shipping's main themes prior to the past month in which the world changed.

The coronavirus pandemic has become the one and only story, in shipping and in the broader world.

Exhaust gas scrubbers? US government trade sanctions?

All so very 2019.

And so too the momentum that was building around environmental and social governance (ESG) themes, carbon emissions and the development of the Poseidon Principles by the industry's top lenders.

But two of shipping's thought leaders – Michael Parker of Citigroup and Grahaeme Henderson of Shell International Trading & Shipping – got together online Tuesday to keep some of those themes alive, even amid the chaos wrought by the virus.

It was the opposite of a debate – more a cordial chat between two men of like mind promoting progressive aims. Both are leaders of the Getting to Zero Coalition, a carbon reduction venture of the Global Maritime Forum.

Henderson and Parker took turns interviewing one another in a session of Capital Link's online shipping conference.

Parker, Citi's chairman of global shipping and logistics, is the chief architect of the Poseidon Principles, which link lending practices to shipowners' commitment to build green vessels.

"Once we get through this [coronavirus], it's important that we don't stop the pace of change that was happening," Parker said.

He cited hope that the same sense of world bonding over a common cause that marks the virus struggle might prove a template.

"Maybe coming together globally will help a cause like climate change," Parker said.

Henderson, vice president of shipping and maritime, cited a need for the industry to get the most out of existing technology to reduce carbon dioxide output even though it will not be the ultimate solution.

Through a combination of strategies like weather routing and use of LNG as a fuel, Shell has been able to reduce emissions on the order of 70% against a 2008 baseline, he said.

While ammonia or another energy source might be the answer long term, "at the moment LNG is the only lower carbon solution available and affordable," he said.

Grahaeme Henderson, Shell's vice president of shipping & maritime, says advances in safety can be replicated in reducing carbon emissions.

Parker advocated for shipping innovators to press hard for change regardless of the current regulations in place by its regulator, the International Maritime Organisation (IMO).

"The pace of change cannot wait for regulators like the IMO," Parker said. "The challenge is to move ahead of those rules – let the rules catch up."

Since new fuel solutions will be expensive, Parker called on a sharing of costs among the various players along the supply chain with a message that will be accepted by consumers of the end product.

"Shipping has got to get away from this historic fear of having to absorb the cost of everything," he said.

The greater cost of a solution will likely add to forces that are pressuring shipowners to be larger companies, Parker said.

"Size isn't everything but it will become more important from a financial perspective," Parker said.

"Shipping is going to be expensive. There will be an inevitable need to create bigger companies that can attract bank capital."

Henderson has been an aggressive advocate of safety at sea, and said it had been improved by a factor of six over the past eight years at Shell, with similar progress by other companies.

"I'm very proud of what we've done and yeah, we can do this in decarbonisation because we've done it in safety," Henderson said.

At the close of the discussion, the two men agreed they should meet up in person soon.

Parker admitted he was getting antsy working from home, missing the walks around his office to chat with colleagues and get in his daily 10,000 Fitbit steps.

"I'm finding working from home quite stressful," he said. "I'm having to make a special effort to get on my treadmill morning and night to not look worse than I do on the [video] screen at the moment."
For the banker, walking on a treadmill was an option. But seeing his environmental goals placed on one clearly was not.(Copyright)
https://www.tradewindsnews.com/finance/parker-henderson-team-to-keep-green-shipping-in-the-frame/2-1-785267

Despite tempting options, owners find cash is king

Listed companies may be lured by a sound strategy of buying back shares or bonds, but uncertainty over virus impact has them sitting on their wallets

31 March 2020 19:33 GMT UPDATED 31 March 2020 19:33 GMT

By Joe Brady

Shipowners are in an ideal position to de-lever balance sheets by buying back debt or support shares prices by repurchasing stock, but many hesitate to drain precious cash without greater visibility into the duration of the coronavirus crisis.
"We find people quite conservative," said Nicolas Duran, partner at Fearnley Securities in Oslo, during an investment bankers panel at Capital Link's online forum Tuesday.
"It's very tempting, but they all get cold feet. They want to preserve whatever liquidity they have, maybe with the exception of some of the bigger tanker companies.
"I don't think you'll see [repurchases] happen in a big way until the dust settles."
The panel had started with a different premise: are capital markets open to shipowners during the coronavirus crisis?
The answer was a quick and unequivocal "no." And not surprisingly, as the markets were barely open to shipping before the outbreak began.
Christa Volpicelli, Citi's managing director for global transportation, noted that shipowners wouldn't be wise to approach the equity markets at their current trading levels anyway.
"Would shipping companies want to be raising capital? All of the US-listed shipping stocks are down 25% to 60%. If you're not needing liquidity, this is not the time to try," Volpicelli said.
"This is not a sector where you'll see anyone try to issue equity anytime soon."
High-yield bonds are an even worse option, noted DNB Markets chief executive Theodore Jadick, who called that market "bombed out."
Jefferies global head of maritime Doug Mavrinac said a number of companies had authorised share-repurchase programmes in reaction to their anemic trading levels, hoping that buybacks could move them closer to net asset value.
But actually using the programmes is a different question, as other bankers noted.
The "elephant in the room," as Volpicelli put it, is how long the economic recovery from virus-related shutdowns is going to take.
"We're telling clients we just don't know," she said. "We could end up having more of a demand problem than people are forecasting.
"It is a good time to reduce leverage and make sure balance sheets are healthy by buying back equity and debt, and some companies may think about dividend policies a bit differently.
"But it's very tricky. Liquidity planning is very important."
For good reason, Jadick added.
"Owners must guard liquidity very carefully," Jadick said.
"Shipping companies won't have the capability to raise equity in public markets the way companies in other industries can. I'm not sure the banks are going to be really keen to see shipping clients use their liquidity for dividends or share buybacks."
However, there is a bright side. Unlike at the world financial crisis of 2008-2009 or even the market downturn of 2016, most public shipowners have their balance sheets in relatively decent shape.
"Some companies have super strong balance sheets, especially in the tanker space," said Erik Helberg, chief executive of Clarksons Platou Securities.

"It's a healthy sign that we're not seeing a lot of distressed selling. As opposed to 2016, balance sheets are in much better shape. Shipping is much more robust than it was the last time."(Copyright)
https://www.tradewindsnews.com/finance/despite-tempting-options-owners-find-cash-is-king/2-1-785210

In China, six week delays for newbuildings and 60 days for scrubber installations

Most delays may be recognised as force majeure events with many parts of the world under lockdown
31 March 2020 18:21 GMT UPDATED 1 April 2020 12:20 GMT

By Max Tingyao Lin

Prominent Chinese players have shed more light how severe yard delays in China are during the coronavirus pandemic.
In a Capital Link online forum held on Tuesday, executives of Wah Kwong Maritime Transport and CSSC (Hong Kong) Shipping suggested delays for newbuilding deliveries are about six weeks now and for scrubber installations 60 days at state yards.

The estimates do not seem to take into account delays caused by travel restrictions imposed on owners and third-party surveyors. Private yards are believed to be facing more severe delays as they receive less support from the government.

"From our own experience, generally delays with state shipyards in China tend to be between four to eight weeks, with six weeks being about the mean," Wah Kwong chairman Hing Chao said.

The Hong Kong-based company's shipowning arm has six vessels under construction and shipmanagement unit has 21 newbuildings at various yards in China for delivery from this year onwards.

One scrubber-fitted kamsarmax bulker due for delivery on Wednesday "has been delayed exactly for six weeks", Chao added.

"We are also due to take delivery of ships in 2021 and 2022. As far as we know, there are no delays for ships from next year onwards."

Bao Weidong, deputy general manager of CSSC Shipping, largely agreed with the assessments.

"Delays of newbuilding ships could be controlled to one or two months. For the ships delivered [from] next year, there will be no delays," said Bao, whose company's parent is state-owned yard giant China State Shipbuilding Corp (CSSC).

Scrubber boom is over

In early February, China Association of the National Shipbuilding Industry estimated more than 200 vessels in China were facing potential delays in their repair, retrofit or maintenance works due to the outbreak.
Delays for scrubber installations at yards controlled by CSSC, China Merchants Group and China Cosco Shipping – the three largest Chinese maritime conglomerates owned by the state – now last for as many as 60 days, according to Bao.

Impact of containment measures

China, where the Covid-19 was first reported at end-2019, was the first country to impose lockdown measures.
Domestic travel restrictions have gradually been lifted since February, with Chao estimating Chinese yards are currently running at 85% of their capacity. Bao said 90% of the labour force at CSSC are back to work.

However, with the number of new patients spiking outside of China, the country has closed its border to most foreign travellers since last Saturday.

Chao acknowledged that his company is likely faring better than others in terms of inspections of newbuilding and drydocking activity, with a team of superintendents permanently based in China.

“It has been very, very helpful to have our own team of people [there],” Chao said. “Recently, we have been asked by one of our partners in Europe to assist them with drydocking in China because they're simply unable to send their superintendent over.”

In general, CSSC and its clients are willing to recognise all the delays as unforeseeable incidents that prevent newbuilding contracts from being fulfilled, according to Bao.

“We have talked with the shipowners very smoothly in negotiations for the new agreements for the delivery of the ships. Most shipowners have cooperated with our shipyards very well,” Bao said.

“We all think this virus is really a force majeure event.”(Copyright)

https://www.tradewindsnews.com/shipyards/in-china-six-week-delays-for-newbuildings-and-60-days-for-scrubber-installations/2-1-785163

For shipping, it's a crude world coming throughout 2020

Tanker owners set to reap good times during the bad times, analysts project, even as crude-carrier stocks once again lead the way on Wall Street

30 March 2020 21:42 GMT UPDATED 1 April 2020 8:10 GMT

By Joe Brady
in Stamford

It’s going to be a crude year for stocks in the shipping sector.

That was the consensus of equity analysts on Monday on a panel at Capital Link’s international shipping forum, which has moved online this year from its usual New York home, in response to the coronavirus pandemic.
Five stock researchers told moderator Aristides Pittas, chief executive of Euroseas and EuroDry, that tankers are set to rule the seas and the stock charts over the next 12 months, with a strong lean to those carrying crude.
On a day when oil prices hit their lowest point in 18 years, analysts agreed that the price war initiated by Saudi Arabia and its decision to flood the market can only be a good thing for the tanker crowd.
Nordic American Tankers added 18% to its recent run, while DHT Holdings soared 15%, Navios Maritime Acquisition 14% and Teekay Tankers 10%.
On the clean products front, Scorpio Tankers jumped 9% and Ardmore Shipping 6%.
There is more to come for tankers, the analysts agreed, with a caveat here or there as to how long the bull run might last. VLCC fixtures were reported nearly $220,000 per day on Monday.
“The reasons why things have gotten better [for tankers] have been completely unexpected,” said analyst Omar Nokta of Clarksons Platou Securities, alluding to the price war this year and US sanctions against Cosco last year.
Citing the glut of oil on the market creating “routes we haven’t seen for years”, he called for “outsized earnings for the crude sector over the next several months” helped by increasing floating storage.
The outlook remains bright for next year based on a tanker orderbook of just 4% or so, Nokta said.
Mike Webber of Webber Research & Advisory endorsed Nokta’s call in the short term, but said he could see weakening emerge in the second half of 2020.
Pittas asked whether analysts were factoring in the possibility that the US might rein in its ally Saudi Arabia and pressure an end to the price war, but J Mintzmyer of Value Investor’s Edge said what’s done is done.
“It’s really a little too late for that,” Mintzmyer said. “We’re looking at up to 20m barrels per day in demand deficit. Even when China and the rest of the world come back on line, it’s going to be a gradual uptick. We’re going to see an oversupply for at least two to three months.”
Jefferies’ Randy Giveans cited VLCC charter fixtures of $100,000 per day for six months and $75,000 per day for one year.
The current upside “is enough to offset any decline in the back half”, he said. “I think tanker stocks [will] trade up further and disconnect further from energy stocks.”
Most analysts saw some of the crude strength being passed on to the clean products market.
As Ben Nolan of Stifel put it, “it’s trickier — there’s a little more risk to the products trade, but I don’t think we’re going to see a decoupling of crude and products”.
While most of the analysts were less positive on dry bulk, stocks there did have a decent day on the stock market.

Scorpio Bulkers led the pack with a 17% leap, with Navios Maritime up 9%, Golden Ocean and Safe Bulkers both rising 6% and Genco Shipping & Trading gaining 5%.
Containership stocks were mixed, with Danaos appreciating 4%, Costamare up a fraction and Global Ship Lease down 7%.
Cruise lines, without an apparent lifeline from the US government, were back on a downer, with Royal Caribbean down 14%, and Carnival and Norwegian Cruise Line falling 11%.(Copyright)
And it was tanker equities that led the way on another mostly positive day for shipping shares on Wall Street. A raft of major tanker owners logged double-digit percentage gains as the Dow Jones Industrial Average continued last week's rally, climbing 688 points (3.2%) to 22,325.

https://www.tradewindsnews.com/finance/for-shipping-its-a-crude-world-coming-throughout-2020/2-1-784359

Low oil prices could push product tankers into floating storage

Two dozen VLCCs have been chartered, ostensibly for floating storage, International Seaways chief executive Lois Zabrocky said

30 March 2020 20:23 GMT UPDATED 31 March 2020 14:33 GMT

By Matt Coyne
in Stamford

International Seaways' Lois Zabrocky said demand for floating storage could become so great, product tankers could be thrust into the trade.

The chief executive of the New York-listed tanker owner said on Capital Link's online forum Monday afternoon that the amount of oil stored at sea could be double what was seen between 2014 and 2016, when oil prices plummeted.

"[That will be stored on] a lot of VLCCs and larger crude vessels, as well as ... LR2s on the product side and LR1s," Zabrocky said, during the conference's "fire away" panel with Tsakos Energy Navigation chief executive Nikos Tsakos. The two took audience questions.

"This is something we have not seen in the 25 years I've been in the business," Zabrocky said.

Oil prices continued to collapse Monday as the Saudi Arabia-Russia oil price war continues, with a barrel of West Texas Intermediate crude falling $1.41 to $20.10 and Brent crude dropping $1.67 to $26.28.

The price war was kicked off three weeks ago, when talks between Opec members and their allies, collectively Opec+, failed to reach an agreement on an oil supply cut.

Saudi Arabia then began pumping oil into a market with already depressed demand, sending tanker rates skyward.

Friday, several charters were done above Worldscale 185, a trend that continued Monday with Unipec booking the 297,900-dwt New Prospect (built 2009) at Worldscale 200, or more than $220,000 per day.
According to Clarksons Platou, VLCC forward freight markets are trading at $166,000 per day for the second quarter and between $70,000 per day and $80,000 per day for the second half.

Zabrocky said more than "two dozen" VLCCs had been booked likely for floating storage on charters ranging from six to 18 months, alongside a dozen suezmaxes and aframaxes.

"In April, we could temporarily be awash with up to 20m barrels per day of excess crude," she said. "This really affects the whole refinery complex. The refiners are going to have to ramp down and the crude will have to store onshore and at sea."(Copyright)
https://www.tradewindsnews.com/tankers/low-oil-prices-could-push-product-tankers-into-floating-storage/2-1-784323

Tanker fleet sees 'once-in-a-generation' opportunities from oil demand shock

'Odd' situation means 'great times ahead' for tankers despite demand destruction, conclude chief executives from world's largest tanker companies at Capital Link forum

01 Apr 2020
ANALYSIS

Michelle Wiese Bockmann @Michellewb_ michelle.bockmann@informa.com

THE CAPITAL LINK INSTITUTIONAL INVESTORS SEMINAR WAS ORGANISED ONLINE THIS YEAR.

CURRENT tanker market conditions represent a "once-in-a-generation" opportunity for owners and operators, according to Robert MacLeod, chief executive of New York-listed Frontline.

With oil demand destruction "on an unprecedented scale", land-based inventories are filling up five times faster than in 2015 — the last time crude and product tanker rates were buoyed as oil traders turned to storing oil on ship at sea, he said. Frontline has a fleet of some 60 tankers, and is owned by the Norwegian-born shipping billionaire John Fredriksen.

Mr.. MacLeod estimated the world was oversupplied with oil by about 20m barrels per day, while available commercial land-based storage globally was about 300m barrels. He warned that oil production "could not be turned off like a garden tap".

“The storage is really kicking off, and this is about to change this market and change 2020 completely,” Mr. MacLeod said.

Mr.. MacLeod joined four chief executives from some of the world’s largest listed tanker companies, as well as the privately held Ridgebury Tankers, to discuss industry fundamentals at the Capital Link institutional investors seminar this week.

The annual event is normally held in New York, but this year was organised online, bringing together the six industry leaders speaking from their homes in Greece, the US, Canada and Norway.

Euronav chief executive Hugo de Stoop said very large crude carriers on the spot market were fetching between $100,000 and $120,000 dollars per day and he agreed land storage was limited to 300m barrels. “But whether it is filling up at 10m or 20m bpd, the real number is very difficult to assess,” he told the forum.

Mr.. de Stoop said he had received approaches to charter some of Euronav’s 41 VLCCs with offers in the range

of $70,000 to $85,000 or $90,000 daily for periods of six to eight months.

“This will be beneficial for the spot market because it will restrict the supply of vessels,” Mr.. de Stoop said. “Plus the first ships taken for storage are usually the old ones, and when they are released from storage work, they normally face a drydock. When they are released it’s because the world is in a different place, and the world is starting to consume all the oil that has been stored, which means our rates may go down.”

However, these older ships will likely be scrapped after ending floating storage. This will be at the same time that there will be a slowdown in new tankers entering the market because very few newbuilding orders are being made at the moment, he added.

“The future is very bright — people are scared about the amount of oil that is being stored at the moment… but the market should try to find comfort in the fact that when the ships [used for floating storage] return to the market, there is enough remedy to have a normal market as quickly as possible.”

Teekay Tankers’ president, director and chief executive Kenneth Hvide said the first tanker trade flows affected by the oil price wars and demand shock would be crude exports from the US Gulf. Teekay, which owns and operates mid-sized aframax and suezmax tankers, has benefited from the rising Atlantic trade generated since 2016 when the US removed crude export restrictions.

The oil price war between Saudi Arabia and Russia that has helped prices plunge to 18-year lows alongside collapsing demand will hurt higher-cost US shale producers hardest, he forecast. US Gulf exports of shale have gained four-fold over four years to exceed 3.5m bpd, with markets to Asia boosting demand for VLCCs.

“US shale is the incremental barrels and these will probably disappear first, he said. “In that scenario we can definitely see a lot more short-haul movement which is going on which is not great for tonne-miles. But on the other hand you see a lot of trading on the smaller, medium sized vessels… and that trade lane could be restarted again.”

This is the third time in 11 years in which a protracted oil market contango — when the future price is higher than the spot price — has promoted floating storage at significant levels. As well as in 2015, some 50 to 60 VLCCs were hired for floating storage in a very short period following the global financial recession of 2009.

“It’s very odd that we’re benefiting from a demand destruction scenario,” said Ridgebury Tankers chief executive Robert Burke. “There will be great times ahead for the next few months and even a year.”

Some 21 very large crude carriers were chartered for six-month periods from March 13-27, with nine specifically listing the tankers were designated for floating storage, shipbrokers reported. They will be added to existing crude storage, already at near-record levels of 127m barrels on 84 tankers, according to Lloyd’s List Intelligence data.

https://lloydslist.maritimeintelligence.informa.com/LL1131783/Tanker-fleet-sees--onceinageneration-opportunities-from-oil-demand-shock

Financiers split on how virus is undermining ship finance

Online conference hears senior bankers say that shipping is better prepared to withstand coronavirus crisis than the 2008 meltdown, but some say that funding costs have shot up and some transactions are in danger of crumbling

01 Apr 2020
NEWS

Nigel Lowry   nigel@lowry.gr

Another expectation of the coronavirus fallout is that it will sideline the trend towards putting greater importance on environmental, social and governance issues in maritime finance

IT HAS BEEN SUGGESTED THAT IF THE CORONAVIRUS FALLOUT LASTS FOR LONGER THAN THREE MONTHS, THERE WILL BE SIGNIFICANT PROBLEMS AT ALL LEVELS OF THE SHIPPING BUSINESS.

THE current coronavirus crisis could spread wholesale disruption to shipping and its funding but at least some financiers are spreading a message of continuing business as usual, at least for the time being.

“I don’t think anybody is in trouble just yet in shipping companies, if you leave cruise aside,” said Shreyas Chipalkatty, global head of shipping at Citi.

“But if the problem continues for longer than three months, I think we will have significant problems at all levels of the shipping business.”

Speaking on the bank finance panel at Capital Link’s International Shipping Forum held online on Monday, Mr. Chipalkatty said that Citi placed prime importance on “continuing to support our clients by providing cash management, trade finance and foreign exchange services.”

But he said that the bank, and the industry, would have to “prepare for the long haul”, with a possible time horizon of “the end of the year, maybe a year and a half.”

Mr. Chipalkatty also suggested that the shipping industry is stronger today than it was when the global financial crisis struck more than a decade ago.

“It is more consolidated, there is more liquidity, and it is a bigger pie overall, so it is slightly different for shipping this time,” he said.

Asked by the panel moderator whether a window to complete finance deals was fast-closing, Evan Cohen, managing director and group head of maritime finance at CIT, said that “there is not a mad rush.”

He said: “It’s fair to say that it will slow down a bit, but so far we are continuing to do business as usual.”

CIT had "half a dozen deals" closing "now" and a similar number continuing to be processed normally.

However, "a decidedly other position" was taken by DNB's head of ocean industries for North America, Evan Uhlick.

"We are in a very big rush to close out our existing pipeline for a number of reasons," he said.

"Funding costs for the international banking community have shot up," he said, explaining that non-dollar-denominated banks and transactions have suffered from the cost spike.

"We are seeing many syndicate partners pulling out of various transactions," said Mr. Uhlick. "Time kills deals and we are in a rush to finalise many of our syndicated deals.

"Anything not nailed down needs to be reconsidered. We are in brave new waters from the macroeconomic and the financial community perspectives."

Apart from the cost of finance, the crisis also threatened "another shock to the sources of maritime capital," he said. "It's going to have an impact on broader liquidity for the space."

Mr. Uhlick said that another effect of the coronavirus crisis was to sideline a trend towards putting greater importance on environmental, social and governance issues in maritime finance.

"It is disappointing but understandable that the whole ESG consideration has been sidelined by the breadth and depth of the crisis.

"But the ESG focus is here to stay," he said. "We need to get out of the burning building first and then I think people will return to these principles."

Leasing company executives were also divided in their perception of the immediate effects on the market.

For Fang Xiuzhi, head of shipping finance for the Bank of Communications Financial Leasing, it is "so far, so good." BoComms Leasing had not had to deal with any approaches from clients experiencing problems.

He expected that there may be a "serious impact" on shipping several weeks from now, but that for the industry, the crisis would be temporary. "When coronavirus is finished, shipping will be fine," he said.

But ICBC Leasing's executive director for shipping, Bill Guo, admitted to worries.

"We are receiving requests about waivers, but not deep discussions yet. If this lasts two or three months, there will be problems. We are starting to worry about this situation."

However, he also gave credence to unconfirmed reports that the Chinese government may be ready to announce a $20trn stimulus package to reboot the economy.

This would go a long way to supporting the dry bulk and tanker markets, said Mr.. Guo, although he pointed out that containerships would likely depend more on the state of consumer markets such as the US and Europe.

"I don't think anybody is in trouble just yet in shipping companies, if you leave cruise aside," said Shreyas Chipalkatty, global head of shipping at Citi.

"But if the problem continues for longer than three months, I think we will have significant problems at all levels of the shipping business."

Speaking on the bank finance panel at Capital Link's International Shipping Forum held online on Monday, Mr.. Chipalkatty said that Citi placed prime importance on "continuing to support our clients by providing cash management, trade finance and foreign exchange services."

But he said that the bank, and the industry, would have to "prepare for the long haul", with a possible time horizon of "the end of the year, maybe a year and a half."

Mr.. Chipalkatty also suggested that the shipping industry is stronger today than it was when the global financial crisis struck more than a decade ago.

“It is more consolidated, there is more liquidity, and it is a bigger pie overall, so it is slightly different for shipping this time,” he said.

Asked by the panel moderator whether a window to complete finance deals was fast-closing, Evan Cohen, managing director and group head of maritime finance at CIT, said that “there is not a mad rush.”

https://lloydslist.maritimeintelligence.informa.com/LL1131766/Financiers-split-on-how-virus-is-undermining-ship-finance

Dry bulk faces ‘inevitable disruptions’

The dry bulk market is facing inevitable disruptions caused by the widespread coronavirus, which has been forcing lockdowns and mining operations to halt. However, there is some optimism among owners about the market's ability to recover

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NEWS

Nidaa Bakhsh @LloydsListNidaa nidaa.bakhsh@informa.com

China is in a recovery mode right now, dry bulk owners tell Capital Link audience

THE DISRUPTION CAUSED BY THE RESTRICTIONS IMPOSED TO PREVENT THE SPREAD OF THE CORONAVIRUS COULD LAST FOR MONTHS.

THE dry bulk market is facing “inevitable disruptions” caused by the unexpected coronavirus outbreak, owners have said.

Speaking on an online version of Capital Link’s International Shipping Forum, leading dry bulk owners said there was no period market at the moment, with trades taking place in the spot market due to the uncertainty about the longevity of the virus.

Should the virus linger for an extended period of time, this would be “very serious,” Grindrod Shipping’s chief executive Martyn Wade warned.

He added that should dry bulk terminals close for a couple of months in countries such as Argentina and Brazil, which rely on commodity exports for revenue, the impact on their economies would be unimaginable.

With China largely controlling the infection, the nation is in a recovery mode right now, according to Safe Bulkers’ president Dr Loukas Barmparis, a view echoed by the other owners as a source of optimism.

Seanergy Maritime’s chief executive Stamatis Tsantanis noted that iron ore prices were rising to $85 to $90 per tonne, an indication of China’s comeback. That means the market might expect a rapid recovery in rates as was seen in the latter half of last year.

The group expected average capesize spot rates ranging from $12,000 to $20,000 per day for the rest of the year, with panamaxes likely to see $11,000 to $12,000 per day.

However, while China was returning to normal operations — with most of its labour force back at work — other importing nations in lockdown such as India will have to find a solution to keep trade flowing. The disruption caused by the restrictions could last for weeks or months.

“We have faced these crises before and we all have to find a way to get through this,” Scorpio Bulkers’ president Robert Bugbee said, adding that “central governments will be hell-bent on keeping employment and feeding people.”

According to Star Bulk’s president Hamish Norton, credit in the dry bulk market is deteriorating. He urged caution when dealing with counterparties other than the large miners or utilities.

Mr. Bugbee noted that there were traditional cash buyers in the market looking for discounted tonnage. He added that with delays to scrubber retrofits, there was no urgency to get the work done, given the very narrow price spread between low and high sulphur fuel oils.

Even though yards were getting back to normal operations, there was a need to preserve cash, he said.

Asked about consolidation during times of stress and weak markets, Mr. Wade from Grindrod said it was “premature” for the industry to consider this, although there may be opportunities in a few months’ time.

https://lloydslist.maritimeintelligence.informa.com/LL1131764/Dry-bulk-faces-inevitable-disruptions

Citi’s Parker says shipping cannot wait for regulators on decarbonisation

Meanwhile, Shell’s Grahaeme Henderson says market-based measures will be needed across the value chain to stimulate low-carbon technologies. In his conversation with Mr. Parker, he also said shipping will need a clear roadmap from regulators about how to achieve its targets

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NEWS

Anastassios Adamopoulos @Anastassios_LL Anastassios.Adamopoulos@informa.com

Citi’s veteran shipping chief believes shipping companies should not wait for the IMO to make more rules relating to decarbonisation and should voluntarily change their behavior

MR PARKER SAID HIS MIND HAS CHANGED OVER THE PAST FEW MONTHS.

THE shipping industry should not wait for the International Maritime Organization to draw up new regulations and should move forward with decarbonising, according to a leading financier.

Michael Parker, chairman of Citi’s shipping and logistics division, said his view on the matter of industry action has changed over the past couple months.

“The pace of change cannot wait for regulators like the IMO,” he told Shell vice-president of shipping and maritime Grahaeme Henderson during this week’s Capital Link International Shipping Forum.

In the past couple of years, Mr. Parker has become one of the most promient figures from the banking industry to have been dictating the way in which environmental policy can be tied to banking. He is one of the architects of the Poseidon Principles, which link the availability of loans and financing to shipping firms’ environmental performance.

The IMO has an important responsibility to set down the rules, Mr. Parker clarified, adding that he wants a global regulator for the industry that draws up good regulation. But the industry cannot wait for it to set those rules.

“I think it is up to practitioners, like yourselves, like the big container shipping companies, everyone in the shipping space, not to set up new rules but, if you like, to move ahead, not wait for those rules. The rules will catch up,” he told Mr. Henderson.

Ships cannot sail in breach of regulations, but where there are no regulations companies should not wait for IMO to come up with them, Mr. Parker said.

In fact, any hastening may even be beneficial for the IMO. If the industry leads the way it may spare governments having to become tangled up in contentious negotiations that permeate environmental regulations.

“I think the politics of the regulation may disappear where politicians see that the market is driving it,” he said.

Nonetheless, politicians will also have to respond much faster to any changes that come from the industry, he added.

https://lloydslist.maritimeintelligence.informa.com/LL1131776/Citis-Parker-says-shipping-cannot-wait-for-regulators-on-decarbonisation

Coronavirus: Fallout may derail decarbonisation

The effect and duration of the coronavirus outbreak is being woefully underplayed according to Mark O'Neil. In his view, the suggestion that the world will stick to existing decarbonisation plans is reflective that people are not awake to the scale of change the business world is about to see

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NEWS

Anastassios Adamopoulos @Anastassios_LL Anastassios.Adamopoulos@informa.com

Columbia Shipmanagement chief executive believes decarbonsiation will probably not be a priority after coronavirus. Nations around the world will be struggling for an economic revival

O'NEIL: THE COLUMBIA SHIPMANAGEMENT CHIEF EXECUTIVE SUGGESTED THE 2020 SULPHUR CAP WOULD NEVER HAVE SEEN THE LIGHT OF DAY IN THE LANDSCAPE THAT WILL EMERGE FOLLOWING THE CORONAVIRUS FALLOUT.

DECARBONISATION could take a back seat after the coronavirus pandemic is resolved and governments focus on rebuilding their economies, while uncertainty about future regulations is making shipowners “terrified” of ordering new ships.

The effect of the outbreak is being remarkably underplayed and making plans now for decarbonisation agendas may be premature, according to Columbia Shipmanagement chief executive Mark O’Neil.

“I don’t think that shipping is in any place yet to decide on a decarbonisation timeframe and alternative fuels until we see what the landscape looks like and the appetite looks like, post this pandemic,” he said on Monday during a panel discussion on decarbonisation at the Capital Link International Shipping Forum, which this year was held as a digital event.

The length of time and depth of the downturn created by this pandemic is also being woefully underplayed, said Mr. O’Neil, whose firm is the fifth largest shipmanager in the world in terms of vessels managed.

“We are not going to be through this in anytime soon,” he said.

“To say that after this pandemic, whenever that might be, we will happily trot along with any previous plan is woefully underplaying the significance” of the current situation.

Several countries are under state-mandated lockdowns to prevent the spread of the disease and significant economic contraction is anticipated for this year. Several shipping companies have also prohibited scheduled crew changes to prevent contamination.

One of the very few positives of this situation, is that the next generation put the focus on humanitarian, freedom and environmental issues, as people have a lot of time to reflect on what matters to them, Mr. O'Neil said, and hence fuel the environmental movement.

He also deemed it to be a "wonderful opportunity" to tear up the old, comparing it with the build-up of the UK's National Health Service, which he said would not have happened without the massive disruption caused by the World War II.

In a similar manner, the current crisis might prompt governments that have set decarbonisation targets for their economies for 2050 to bring their timelines forward.

The reality, however, according to Mr. O'Neil is that governments around the world will have to fix broken economies. This will require spending money.

"And is that a time when governments really want to be considering green issues, which cost money, or will they be pushing those issues into the long grass?" he asked.

The industry needs a "dose of realism" about how decarbonisation is viewed once the pandemic is over.

"Do we really think, honestly, anyone on this panel, that the latest low sulphur fuel regulations would have come in" post-coronavirus? he asked. "Do we think that the president of the US would have allowed this low sulphur [regulation] to come in? No, is the answer."

President Donald Trump pulled the US out of the 2015 Paris Agreement and the US expressed reservations when the International Maritime Organization adopted its initial greenhouse gas strategy in April 2018.

Mr. O'Neil suggested that Mr. Trump is unlikely to rebuild the post-coronavirus US economy based on green fundamentals.

"These environmental issues will take a backseat, probably, arguably a necessary backseat, while we reconstruct and regroup and take our business further forward," he said.

Is it the job of regulators to make decarbonisation profitable?

Oil prices have collapsed in recent weeks due to a combination of sluggish demand because of the coronavirus and Saudi Arabia's decision to flood the market with oil after the Organisation of the Petroleum Exporting Countries and Russia failed to agree on oil production cuts earlier this month.

On Monday, oil prices dropped further, reaching 18-year lows. Brent fell to as much as $21.76 per barrel, and then jumped back up to $22.31 later in the day. West Texas Intermediary hit as low of $19.85, before elevating slightly above $20.

Star Bulk president Hamish Norton said low oil prices could benefit efforts to rebuild economies. This would not be viewed as a favourable development for decarbonisation efforts.

"It gives with one hand, it takes with the other," he said.

One of the key drivers of decarbonisation will be making alternative fuels financially attractive compared with fossil fuels, such as oil, for end users and investors. Low oil prices make that a more challenging endeavour.

Decarbonisation has steadily become the largest macro-scale long-term challenge for shipowners over the past couples of years, with the IMO's target of cutting ships' GHG emissions by at least 50% by 2050 compared with 2008 forming the backdrop to the way they have been behaving.

But even without the shock of the coronavirus pandemic, owners continue to struggle with planning ahead when solutions that can decarbonise ships are not available to the market.

Mr. Norton said the lack of clear decarbonisation fuel and technology options for vessels is making it challenging to look ahead.

Mr. Norton said the political environment is concerning for shipowners. They fear that ships they order to build today will not be grandfathered from future regulations and may not be legal in 10 years' time, forcing them to scrap them.

"I am terrified about the prospect of ordering ships and all the shipowners I know are terrified," he said.

Mr. Norton's alarm echoes that of other prominent shipowners who have warned against ordering new ships on account of their potential obsoletion.

IMO legal affairs director Fred Kenny clarified during the panel discussion that there is a grandfathering clause in IMO environmental regulations that protects existing vessels.

“It has never happened in the history of the organisation where a piece of equipment or technology has been banned outright,” he said.

Asked whether shipping companies should be obliged to allocate assets towards meeting decarbonisation goals, Mr. Norton said he is “thrilled” to contribute with others in the industry on a level-playing field basis towards decarbonisation research efforts, but insisted shipping companies are not charitable organisations.

“The shipping industry is going to decarbonise because that is in the shipping industry’s commercial interest. No one is going to voluntarily reduce their profitability to emit less carbon dioxide. It is the job of regulators of the world to make sure that it is profitable for shipping companies to reduce their carbon emissions,” he said.

https://lloydslist.maritimeintelligence.informa.com/LL1131738/Coronavirus-Fallout-may-derail-decarbonisation

Boxship owners face up to falling charter rates

Containership owners are seeing operational issues from the coronavirus outbreak but are not so far confronting financial losses. That could be set to change as charter rates head lower

01 Apr 2020 NEWS
James Baker @JamesBakerCI james.baker@informa.com
Supply-side constraints will benefit non-operating owners when container demand re-emerges from coronavirus slump

PITTAS: WARNED THAT OWNERS COULD EXPECT LOWER CHARTER RATES.

CONTAINERSHIP owners chartering their vessels to box lines face lower rates this year as demand declines, but supply-side constraints could benefit non-operating owners when a recovery eventually emerges.

Speaking at the online Capital Link conference yesterday, Danaos chief financial officer Evangelos Chatzis said that so far the impact of the coronavirus pandemic had mainly been felt in the yards.

“We’ve had ships having scrubbers installed and in most of the first quarter they’ve stayed in the shipyard,” he said.

Euroseas chairman Aristides Pittas added that his company had vessels that were drydocked for surveys, but engineers could not be sent out to China.

“The survey is being supervised remotely. This is not ideal, but one of the things we are doing.”

But more concerning for owners are the lower rates being achieved for charters.

“Up until recently charter rates had held firm despite what was happening in China,” Mr. Pittas said. “Now that this has come to the Europe and the US I think we’re starting to see rates dropping a little.”

Mr. Chatzis had also had a few ships coming up for rechartering.

“We did these ships at lower rates than we could have achieved in the fourth quarter, but until now we have not really seen an economic impact from our standpoint,” he said.

Mr. Pittas noted that there were some bright points, such as volumes on the intra-Asia trade picking up from a couple of months ago.

“We have had a few ships that we’ve managed to extend with,” he said. “But now we are at the stage where I think we will have to accept lower charter rates.”

The disruptions that have occurred in shipyards could, however, turn out to be a silver lining for owners when a recovery eventually emerges.

“Supply will be rationalised and restricted from what we are seeing now, so one would expect a couple of depressed quarters until this thing normalises,” said Capital Product Partners chief executive Jerry Kalogiratos. “We could see a big spike in inventory restocking then. In that case when we have rationalised supply and a big spike in demand, then 2021 could be a good year.”

There could be a slowdown in deliveries of 15%-20% as yards and owners were delaying delivery, he added.

“At the same time you would expect these prolonged drydockings for scrubber retrofits would create a domino effect and if people were expecting 2%-3% of capacity to be held up in retrofits, maybe that will now be a bigger number.”

Mr. Pittas said the less supply there was now would determine how easy the recovery would be when the world managed to get over the pandemic.

“But we are in a very, very rare situation where one parameter is driving everything,” he said.

Boxship owners face up to falling charter rates
Containership owners are seeing operational issues from the coronavirus outbreak but are not so far confronting financial losses. That could be set to change as charter rates head lower.
https://lloydslist.maritimeintelligence.informa.com/LL1131780/Boxship-owners-face-up-to-falling-charter-rates

BIMCO urges stimulus measures to keep shipping afloat

Maritime’s largest shipping association calls on governments to prop up economies with stimulus packages to keep shipping going. Without that, the world could be heading into a severe recession, hurting the dry bulk and container sectors the most

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NEWS

Nidaa Bakhsh @LloydsListNidaa nidaa.bakhsh@informa.com

Keeping ports and terminal open is critical, says BIMCO’s chief shipping analyst Peter Sand during Capital Link’s online shipping forum

SAND: WARNED THAT THE $2TRN RESCUE PACKAGE PUT TOGETHER BY THE UNITED STATES WILL BARELY LAST A MONTH. GOVERNMENTS MUST COUGH UP AND PROTECT SOCIETY AND INDUSTRY.

SHIPPING association BIMCO has called for governments to introduce stimulus measures to prop up economies so that the industry can survive the coronavirus outbreak.

“It is absolutely necessary,” the association's chief shipping analyst Peter Sand told the Capital Link International Shipping Forum. “If not, there will be widespread unemployment and bankruptcies, which will result in severe global recession.”

He said global gross domestic product had declined to the lowest since 2009, and the seaborne trade/GDP multiplier was below 0.5 for the first time.

The $2trn offered by the US administration was “not enough to deal with this crisis” and would only last a month or so, he said.

Mr. Sand predicted that the container sector and dry bulk market could end up being loss-making this year.

“Rolling back globalisation is not the answer to this crisis,” he said. Keeping ports and terminals open was critical.

For example, ports in South America during what was expected to be a strong grains export season were reopened, as food and animal feed need to continue.

There may be a solid recovery in 2021, but for now, a global recession would make this difficult, Mr. Sand said.

https://lloydslist.maritimeintelligence.informa.com/LL1131763/BIMCO-urges-stimulus-measures-to-keep-shipping-afloat

Cash remains king in the coronavirus era

Hamish Norton and Robert Bugbee show us the new normal as they hunker down at home, while inviting us in to share business fundamentals as we all batten down the hatches to ride out the storm

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OPINION

Eric Watkins @EricWatkins_ Eric.Watkins@informa.com

The last question and answer period of this week's 14th Annual Capital Link International Shipping Forum was as much about atmospherics as it was about answers, and the atmospherics were reassuring

IF anything served to illustrate the new normal of life as we all shelter in place to avoid the ravages of the coronavirus, it was the last question and answer period of the 14th Annual Capital Link International Shipping Forum.

Hosted by two of the most eminent men in shipping, Robert Bugbee, president of Scorpio Tankers, and Hamish Norton of the Star Bulkers Group, this session was designed to be somewhat unstructured as shown by its title: "Fire away — ask Robert Bugbee and Hamish Norton anything".

And somewhat unstructured it was as both men relaxed before their computer screens at home and focused on the welter of questions fired at them by an audience of eager participants, most of them also at home, perhaps even in their pajamas.

Mr.. Bugbee was seated at his kitchen table and occasionally began to look a bit stressed as family members wandered unconcernedly in view of the screen, heading for the refrigerator or banging the occasional knife and fork in the background.

"So, salami, cucumbers and cheese?" someone asked in Mr. Bugbee's kitchen as he was speaking. "Yeah," came the answer of a small child, unaware of the "serious business" being conducted in another part of the kitchen before untold numbers of eyes glued to computer screens thousands of miles away.

Mr.. Norton suppressed a smile, and there must have been one or two delighted smiles on the faces of other viewers, too, as normal family life intruded into the serious atmosphere of shipping in the era of coronavirus. Although, perhaps, it was actually the serious atmosphere of shipping that was doing the intruding.

Robert Bugbee and Hamish Norton are two pillars of the international shipping community. They easily could have remained very formal, very distant in this Q&A session. But they didn't. They relaxed and showed how to do business in the new normal.

It is a testament to these two gentlemen that they left their suits on hangers, forgot their ties and loosened their collars as they invited us into their homes to field questions from afar in this new normal. And the questions were interesting, too.

Slow steaming

Mr.. Norton took off with one about the virtues of slow steaming in connection with decarbonisation, saying that "my view is that slow steaming is probably the only thing that will have really some impact on decarbonising in the near term".

"Given that ships burn fuel in proportion to the cube of the speed that they're travelling, a 10% reduction in speed is more or less a 30% reduction in fuel burn per day," he said.

"You know, a 20% reduction in speed is a huge reduction in fuel," he said, adding that "it is something I think we're going to be doing".

Staying on the theme of fuels, Mr.. Norton considered a question of whether it might have been better if the International Maritime Organization had mandated for everyone to use compliant fuel rather than allow both high- and low-sulphur fuels.

Mr. Norton said the IMO had "obviously" thought of this question and what they determined was that if you didn't allow heavy fuel oil to be burned with scrubbers there might not be enough oil to fuel the marine fleet when the low-sulphur mandate came into effect.

So, he said, "scrubbers actually were a necessary part of any transition to a low-sulphur regime".

Asked which of the shipping sectors is most likely to be adversely affected by the current pandemic, Mr.. Norton had no hesitation: "You know, I'm a pretty clear that the container shipping sector is the one that's suffering the most damage from coronavirus."

In his view, commodity transportation seems to be suffering "a lot less" during this pandemic. "The best strategy to assure a business continuity is to be shipping dry bulk or oil or products."

Still, neither man is resting easy in their shipping of commodities. They both recognise the seriousness of the current situation and the need to defer speculation in favour of practicality and prudence when it comes to business decisions.

Cash priority

Asked about buybacks in the current environment, Mr. Norton was emphatic.

"I would love to have the dry powder to buy up every share I could at these prices", he said. "But the fact is in this economic climate, we are doing everything we can to increase our cash balance and protect our cash because we might need it."

Mr. Bugbee agreed wholeheartedly.

"Yeah. I think it's the same. I think we're very similar Hamish. I think our first task in this market is to make sure we [look out as] well as we can for the safety of our crew and our shore personnel and the safe operation of the ships."

Right now, he said, the important thing is not to do anything other than "take in cash" since we can think about maximising value at a "later date".

"The best way to achieve long-term value right now is to focus on getting the actual operation correct and taking the cash in," he said, repeating for emphasis that "we'll have plenty of opportunities later for the maximisation of value".

That was sound practical advice and it seemed all the sounder for its informal setting — a reminder that we are hunkering down for the duration but that, none the less, we all are seriously planning for — and on — a future beyond the pandemic.

In the new normal, it seemed perfectly appropriate for salami, cheese and cucumbers to mix with serious shipping business. It was, perhaps, a reminder of what the serious shipping business is all for.

This Q&A was as much about atmosphere as it was about answers. Anyone could see that these shipping magnates were sheltering in at home just like the rest of us, but still doing their best to negotiate the coming storm. And they gave practical advice on how to do that: Cash is king.

https://lloydslist.maritimeintelligence.informa.com/LL1131775/Cash-remains-king-in-the-coronavirus-era

Scrubber boom about to end, says yard executive

As well as the incoherent economic argument for exhaust gas srcubbers, delivery schedules for the devices have sustained further delays due to the coronavirus outbreak. However, there are still some who believe the causes of the narrowing spread — the low oil price and muted fuel consumption — are just temporary disruptions

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ANALYSIS

Cichen Shen cichen.shen@informa.com

The deputy head of China's largest shipbuilding group has noted vanishing interest among shipowners for exhaust gas scrubber installations. The price spread between VLSFO and HSFO has dropped significantly, thereby rendering the devices economically unviable

SCRUBBER INSTALLATIONS AT YARDS HAVE BEEN SIGNIFICANTLY DELAYED DUE TO THE CORONAVIRUS OUTBREAK.

SHIPOWNERS' appetite for exhaust gas cleaning systems as an answer to the global sulphur cap is quickly disappearing, according a senior Chinese shipbuilding executive.

The move — triggered by a series of factors, including the coronavirus shockwave — represents a turning of the tide from last year, when scrubber investors were flocking to yards for installations, said China State Shipbuilding Corp deputy head Bao Weidong.

"Coming into 2020, I think the boom of scrubber installation and retrofitting will soon be over," Mr. Bao told a panel discussion at the Capital Link International Shipping Forum, which became a digital conference this year due to the outbreak of coronavirus.

His remarks come after a recent report by Alphatanker, which forecast that cost-cutting and the erosion of marine fuel oil premiums would render the sulphur abatement technology redundant with a "flood of cancellations".

Mr.. Bao backed that view, saying the narrowing spread between 0.5% low-sulphur fuel oil and 3.5% high-sulphur fuel oil used by scrubber-fitted vessels has been the main reason behind owners' second thoughts.

The price gap had plunged to $50 per tonne late last month, from about $400 per tonne at the beginning of this year, according to Alphatanker.

This has reduced the earnings premium for vessels with scrubbers and extended the payback time for the $2.5m average investment to four years rather than four months for the largest vessels that have retrofitted the technology. Payback time will be even longer for smaller vessels, given the lower economies of scale.

"At the current price gap level, owners will be looking at their investment returns very carefully," said Mr.. Bao.

The delivery delays and cost overruns have put another dampener on owners' interest in the devices. The situation has only been exacerbated by the coronavirus fallout.

Hit by epidemic-led labour shortages, scrubber installations at some major Chinese yards are now at least 60 days behind schedule, Mr.. Bao said. "The later the delivery, the less investment return for shipowners," he pointed out.

Fellow panellist Hing Chao, executive chairman of Hong Kong-based, family owned Wah Kwong, had similar observations.

"In truth, given there has been significant delay with dry-docking, and so on, a lot of scrubber installations have been delayed as far as I know."

Wah Kwong currently has four scrubber-fitted vessels under construction, with two kamsarmax dry bulkers to be delivered by this summer and two very large crude carriers in the second quarter of next year, according to Mr.. Chao.

He said the market will continue to see deliveries of existing scrubber projects in 2020 and 2021.

"As to whether there will be more appetite beyond that, it depends on the outlook of the spread, but at this moment that is looking unlikely."

Mr.. Bao further pointed to the fact that newbuildings fuelled by liquefied natural gas had been quickly rising to about 400 units today, suggesting this approach provides a good alternative to scrubbers for shipping companies to comply with the sulphur rules.

Nevertheless, one Chinese leasing executive offered some grounds for optimism to scrubber investors on the sidelines of the conference.

In his opinion, the current thin spread between very low sulphur fuel oil and high-sulphur fuel oil was largely caused by the double whammy of the extremely low oil price and reduced fuel consumption in relation to muted shipping demand.

He opined: "I think the decline in scrubber interest is temporary. The oil price will rise and shipping activities will recover after the coronavirus pandemic gets controlled."

The executive added that many newbuildings nowadays are equipped with the so-called scrubber-ready design, which means they can be easily retrofitted at the quay in future.

https://lloydslist.maritimeintelligence.informa.com/LL1131771/Scrubber-boom-about-to-end-says-yard-executive

What if coronavirus teaches us to consume less?

The biggest risk to shipping is a matter of open debate. This week's Capital Link forum kicked up a risk that rarely gets a public airing. What if the world learned to consume less?

02 Apr 2020 OPINION

Richard Clayton @rjbclayton richard.clayton@informa.com

In the discussion about cutting emissions by 50%, no one wants to discuss the benefits of a post-coronavirus world simply reducing consumption. Perhaps it's a risk shipping doesn't want to face

WHILE THE CORONAVIRUS HAS MADE CHANGES TO DAY-TO-DAY LIFE FOR NOW, IT WILL ALSO MAKE CHANGES LIKELY IN THE LONG TERM.

DURING the Lloyd's List Qatar Maritime and Logistics Summit in mid-February, speakers identified three critical issues that would disrupt the industry in the coming year. One of these was climate change, another was cyber security, the third was coronavirus.

No doubt vessel overcapacity and geopolitical tension would be high on some agendas, as IMO 2020 was in 2019, and piracy was a decade ago.

This week, Capital Link offered a digital forum for a cool reassessment. And what a range of views it was.

The panel sessions focusing on market segments appeared to believe that, when the virus is defeated, it would be "business as usual". The advocates of decarbonisation argued fiercely that not even the coronavirus interruption should delay the pace of change. The financiers debated the merits of risk and stability. Not surprisingly, shipowners among the panellists didn't seem to have much steer in any direction.

Among all this conversation, one thought — which is rarely raised in the open but must surely be considered around private dinner tables — stood out. In his dialogue with Shell vice-president Grahaeme Henderson, Citi's Michael Parker pondered about "the risk to shipping of people learning to consume less."

It's the ultimate fear for shipping, even trumping the concern that near-shoring or protectionism would significantly reduce the demand for tonne-miles. What if rich consumers in Asia, North America and Europe suddenly decided they no longer needed to replace their smartphones every two years? What if they saw the damage to the environment in upgrading their clothes every six months? What if the coronavirus lockdown taught us to eat less meat and drink less wine?

The consequence could be that the upward trend of globalisation would be stopped. In combination with governments needing to find local employment and opting to manufacture goods that were — pre-coronavirus — sourced overseas, people learning to consume less would feed through to fewer ships and lower emissions.

Coronavirus will inevitably bring disruption to employment. The United Nations' Sustainable Development Goal 8 promotes inclusive economic growth with productive employment; SDG 9 promotes inclusive industrialisation; SDG 10 aims at reduced inequality within countries. None of these is attainable through a return to business as usual.

On the other hand, shipping brings affordable energy (SDG 7), enables food availability (SDG 2), and carries around the world the elements that ensure sustainable manufacturing, healthy eating, and good jobs. In other words, shipping is both part of the problem and part of the solution.

So a reduced demand for shipping would help to meet some of the SDGs while preventing others to be met.

But can lower consumption, however that is defined, be said to be a risk to shipping? A risk to corporate revenues, perhaps; a risk to the finance available for innovation, certainly; a risk to jobs and prospects — but no more of a risk than digital disruption.

There is no silver bullet in achieving shipping's obligation to cut emissions by 2050 to half the 2008 level. New technologies are vital in this effort, both big and small. New fuels, new designs, new ways of working. However, there is one disruption that could make all the difference for shipping, and it's a simple change no one wants to think about: what if coronavirus taught us to consume less?

https://lloydslist.maritimeintelligence.informa.com/LL1131786/What-if-coronavirus-teaches-us-to-consume-less

Scrubber cheerleader Scorpio postpones retrofits 'where possible'

'If you had the choice to postpone a scrubber fitting, I think most companies would do that at the moment' — chief executive Robert Bugbee

02 Apr 2020 ANALYSIS

Michelle Wiese Bockmann @Michellewb_ michelle.bockmann@informa.com

Some 51 tankers in Scorpio's fleet of 137 product tankers have yet to have scrubbers installed as of March 27, the company says in a filing

Source: Scorpio Tankers

SCORPIO TANKERS HAS POSTPONED EXHAUST GAS SCRUBBER INSTALLATIONS.

SCORPIO Tankers, one of the biggest cheerleaders for scrubber technology, signalled it will delay their installation on any remaining vessels in its fleet where possible, but only because current earnings for long range tankers are so high.

"Short term, you're just trying to do what you can to maximise the revenue intake you're taking," the company's chief executive Robert Bugbee told the Capital Link institutional investors conference.

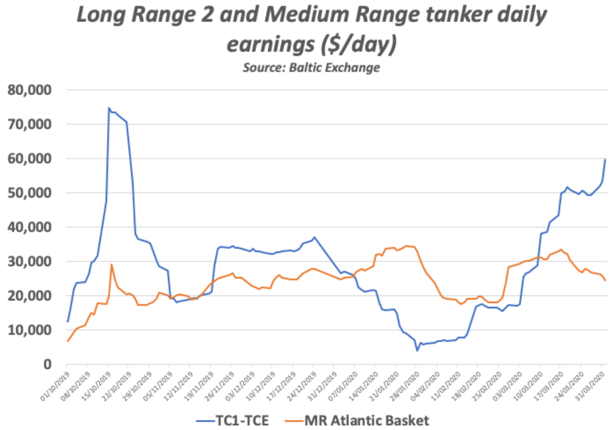
"So, if you had the choice to postpone a scrubber fitting, I think most companies would do that at the moment, just simply because of the rate strength in the big ships."

Some 51 tankers in Scorpio's fleet of 137 product tankers have yet to have scrubbers installed as of March 27, the company said in a filing on Wednesday. The shipowner has agreed to install scrubbers on 98 ships at a cost of $2.5m each, with not all of the $245m cost yet financed.

Scorpio's investment hinged on a bet that the spread — or difference in price — between the more expensive 0.5% very low sulphur fuel oil and the cheaper 3.5% sulphur fuel oil that vessels fitted with scrubbers can use would result in savings, boost earnings and quickly pay back the investment.

The price for VLSFO now used by some 70% of the international global fleet has plunged by 278% in Singapore since the beginning of 2020, according to assessments compiled by price reporting agency Argus Media. The spread is now some $60 per tonne above high sulphur fuel oil, down from levels above $300 per tonne earlier this year, destroying the economic rationale for installing the technology.

Asked whether these prices had changed his perspective on installing the remaining scrubbers, a clearly uncomfortable Mr. Bugbee said: “Let’s actually change the perspective, which is simply the massive strength in the market right now. You know, when you have ships fixing where they are, you will do what you do to respond, scrubber fitting regardless, to take those levels. Where you have compulsory dry docks you’ll continue mostly likely with the scrubbers.”



Rates for long range 2 tankers on the Saudi Arabia-to-Japan route are at nearly $60,000 daily, according to the London-based Baltic Exchange, while medium range tankers on the transatlantic route are averaging just under $25,000 per day, data show.

Frontline Tankers, which also invested in scrubber technology, has signalled that the payback seen from earnings on scrubber-fitted vessels in its fleet had diminished to $100,000 per day from $400,000 daily seen in December and January. The company also part-invested in a company that produced exhaust gas cleaning systems.

“The factory that we owned part of, we’re not getting many orders, we’re not going to get any new orders,” said the company’s chief executive Robert MacLeod, speaking at the same conference at an earlier session.

Like Mr. Bugbee, he quickly diverted, saying “the current market is what we should have the main focus on”.

Scorpio has been one of the most vocal supporters for scrubbers, which have been installed on about 4,000 of the biggest ships in the 60,000-strong commercial fleet, ahead of global regulations that came into force on January 1 mandating the use of 0.5% lower-sulphur bunkers. About one in five very large crude carriers and more than a quarter of the global containership fleet have the sulphur abatement technology installed.

https://lloydslist.maritimeintelligence.informa.com/LL1131789/Scrubber-cheerleader-Scorpio-postpones-retrofits-where-possible

Global Shipping: Tankers Winning As Uncertainty Abounds

J Mintzmyer

Value Investor's Edge

Summary

- COVID-19 is delivering a devastating impact to global markets, with oil routing the hardest due to a double-punch from the Saudi/Russia oil price war.
- Crude tankers have emerged as enormous winners due to the surging storage trade off record-level contango.
- Elsewhere in shipping markets, uncertainty abounds as companies balance long-term demand potential with short-term disruption.
- The Capital Link International Shipping Forum in NYC was moved online due to COVID-19, leading to the first ever "Digital Shipping Conference."
- I attended the events & chat sessions, spoke with management teams, and shared views on the analyst panel. Latest updates and viewpoints shared below.
- *Looking for a helping hand in the market? Members of Value Investor's Edge get exclusive ideas and guidance to navigate any climate. Get started today »*

Shipping Markets: Unique Opportunities vs. Volatility

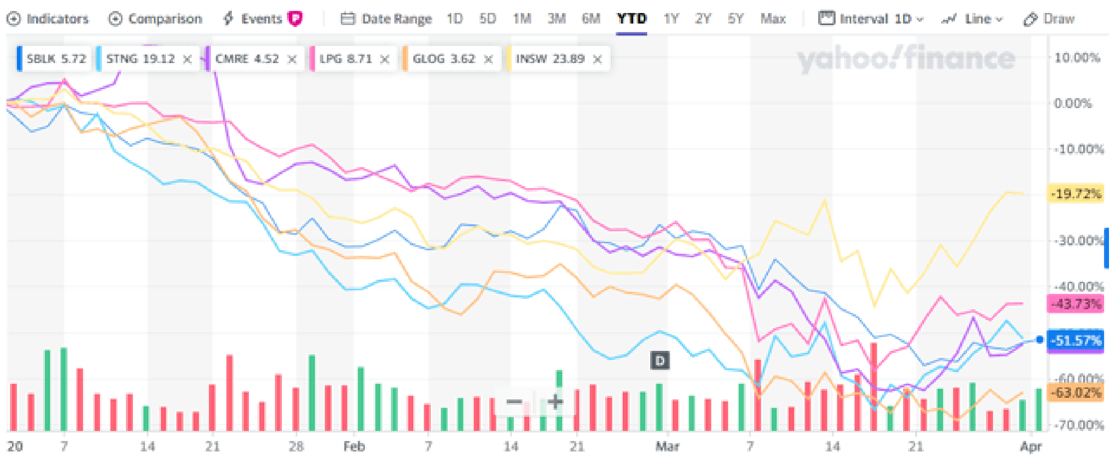
With COVID-19 shutting down the majority of the global economy, investing in shipping is not a natural instinct. However, as I've learned from over a decade of covering this sector, knee-jerk viewpoints are rarely correct. Moreso than any other sector I've watched, the best time to look at these stocks is anyways when your neighbor thinks you're insane. Nonetheless, stock selection is more important than ever in these trying times as there is a high likelihood that a good handful of the 60+ firms in this sector won't make it to 2021-2022 in their current form. Those firms who survive are likely to provide outsized returns due to heavily distressed current equity prices. With this bifurcated setup in mind, I set out to (virtually) attend the Capital Link International Shipping Forum early this week. Capital Link's two day forum included 15 different panels covering all of the sectors, funding sources, and analyst inputs. I reviewed all of the sector panels, spoke with numerous management teams over the past weeks, and shared my viewpoints on the analyst panel.

Image Credit: Capital Link

The rest of this report will review the current sentiment and fundamental setup for the six primary shipping segments- crude tankers, product tankers, dry bulk, containerships, LNG, and LPG. I'll also provide a rundown of the analyst panel I participated in on Monday afternoon.

Broad Market Sentiment & Conference Mood

Two words summarize the markets today: ***volatility*** & ***uncertainty***. Shipping is hardly the only industry with this sentiment, we can apply 'uncertainty' to nearly any corner of the market right now and volatility to most stocks as well, but if we look at a rough sampling of sector leaders, we'll see the sort of dips only rivaled by horrendous areas like upstream oil and shopping malls. The best performer in the representative basket below, crude tanker owner **International Seaways** (INSW), is still down nearly 20% YTD. The rest of the basket is down between 44% and 63%. Ouch!



Source: Yahoo Finance, YTD Performance Comps, 1 April 2020

There is not a single mainstream shipping stock with positive YTD returns as of 1 April. The closest one is **Teekay Tankers** (TNK), off about 7%. Yes, the broad markets have been rough, the S&P 500 is down about 23% and the Russell 2000 is off nearly 36%, but this is still a clear indictment of sentiment.

Even good news is barely starting to move the needle. Headlines are now starting to scream, and we've been pounding the table for weeks: "crude tankers are massive beneficiaries of the recent chaos!" However, the majority of tanker stocks are down as bad as the broad market and even the best performer, TNK, has still been a 'loser.' Market sentiment is terrible!

This sentiment transferred partially to the overall 'mood' of the recent shipping forum, but there was a massive different between the various sectors. Also, the level of sentiment/mood didn't always correlate to recent stock performance, there are some interesting dislocations building, particularly in the LNG sector. Unsurprisingly, crude tankers had the highest level of positive sentiment between both management teams and active analysts and containerships were panned the most. LNG, LPG, product tankers, and dry bulk carriers rounded out the mix.

We'll start with analyst viewpoints (myself included), then rotate through sentiment and lessons learned from each primary sector panel.

Analyst Viewpoints

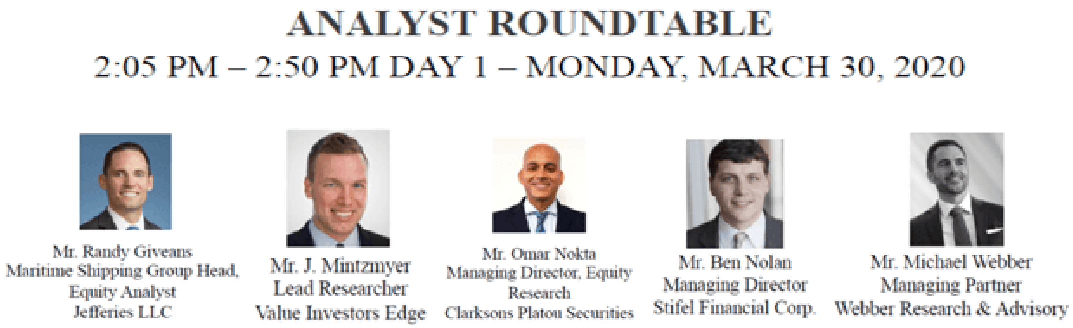


Image Credit: Capital Link, edited for size/scale

The analyst panel was hosted on Monday afternoon and featured Randy Giveans of Jefferies, Omar Nokta of Clarksons, Ben Nolan of Stifel, Michael Webber of Webber Research & Advisory (ex- Wells Fargo), and yours truly of Value Investor's Edge on Seeking Alpha. We reviewed five of the major segments and shared broad market views and our favorite segments. Capital Link will soon have the full video clips available for review, but until then the primary takeaways:

- Crude tankers are the favorite by far, but long-term balance at risk
- Product tankers benefit here, but face a scary demand shortfall
- Dry bulk a China recovery play- sector to watch this summer/fall
- LNG is the sector where stock selection is more important than ever
- Containerships look oversold, but counterparty strength is crucial

We're looking at similar data, so its not surprising that the viewpoints were also similar, but some nuances do exist. Omar Nokta was particularly interested in scooping up bargains in dry bulk and he believes they could be due for a "big one" this summer if China indeed ramps their economy back. Michael Webber is spending most of his time diving into LNG projects, Randy Giveans is a clear crude tanker bull, and Ben Nolan offered a good rundown of the precarious balance faced by product tankers.

My Take: Crude Tankers Exceptionally Positioned

I personally am very bullish on crude tankers, continuing a consistent and heretofore very profitable viewpoint which dates back to early-2019. An extremely bullish supply/demand balance has benefited from temporary sanctions, IMO 2020 implementation, and now an oil price war while the stock prices have been held back by trade war concerns and a broad COVID-19 selloff. Bears continue to misunderstand the underlying balance and we're seeing the same sentiment emerging today, which suggests the current strong rates are only temporary phenomenon. What this bearish viewpoint misses is that with VLCC rates at $150k/day, a crude tanker company can make about four *years* worth of normal profits in less than six months. At $200k/day, a firm can generate nearly six years of normal profits in the same stretch.

I'm actually less optimistic on the long-term than I've been in years on crude tankers due to global structural concerns, but that's almost irrelevant to the investment case today considering these firms could potentially generate 4-6 *years* worth of profits in a couple quarters. I covered this viewpoint nearly three weeks ago (even earlier on Value Investor's Edge) before it was mainstream, and there are also a few hedge fund managers well ahead of the curve as well, including Harris Kupperman of Praetorian Capital who recently shared his thesis on Real Vision.

Segment Review

The Capital Link Forum also included a full review of each shipping segment with panels featuring top management teams in each sector. I attended these panels and will briefly summarize the current situation of each sector below.

Crude Tankers

The crude tanker panel included six top industry figures representing five publicly-traded companies: **Euronav** (EURN), **Frontline** (FRO), **International Seaways** (INSW), **Teekay Tankers** (TNK), and **Tsakos Energy Navigation** (TNP).

CRUDE OIL TANKER SHIPPING: ***Sector Trends & Outlook***

Moderator: Mr. Christian Wetherbee, Director - Airfreight, Surface & Shipping Research - **Citi Research**

Panelists:

- **Mr. Hugo de Stoop**, CEO - **Euronav (EURN)**
- **Mr. Robert Hvide MacLeod,** CEO - **Frontline Management (FRO)**
- **Mrs. Lois Zabrocky**, CEO - **International Seaways (INSW)**
- **Mr. Robert Burke**, Partner & CEO - **Ridgebury Tankers**
- **Dr. Nikos Tsakos**, CEO - **Tsakos Energy Navigation (TNP);** Chairman - **INTERTANKO 2014-2018**
- **Mr. Kenneth Hvid,** President & CEO - **Teekay Corporation (TK)**

Source: Capital Link, Digital Forum Agenda, 31 March

The panel was unanimous on short-term prospects, with both Lois Zabrocky of INSW and Robert MacLeod of FRO, mentioning these were the best markets setups they had seen and a "generational opportunity." Longer-term brings more uncertainty and Hugo De Stoop of EURN was more balanced in his views.

There was little interest in newbuild vessels even with these strong rates, and Robert Burke of Ridgebury reminded that the older ships are actually generating much better returns in this market. Teekay reminded us that TNK entered the first upswing of the markets last fall with about "as much leverage as possible" and they are now delevering. TNK is up about 200% from Summer 2019 lows, illustrating the power of financial and operating leverage.

Product Tankers

The product tanker panel was also well represented and included management from five US-listed companies: **Ardmore Shipping** (ASC), **Diamond S Shipping** (DSSI), **Pyxis Tankers** (PXS), **Scorpio Tankers** (STNG), and **Torm** (TRMD).

PRODUCT TANKER SHIPPING: Sector Trends & Outlook

Moderator: Mr. Omar Nokta, Managing Director, Equity Research - **Clarksons Platou Securities**

Panelists:

- **Mr. Anthony Gurnee,** CEO - **Ardmore Shipping Corporation (ASC)**
- **Mr. Carlos Balestra Di Mottola,** CFO - **d'Amico International Shipping S.A. (BIT:DIS)**
- **Mr. Craig Stevenson,** CEO - **Diamond S Shipping (DSSI)**
- **Mr. Valentios (Eddie) Valentis,** President/CEO - **Pyxis Tankers (PXS)**
- **Mr. Robert Bugbee,** President - **Scorpio Tankers Inc. (STNG)**
- **Mr. Jacob Meldgaard,** CEO - **TORM (TRMD)**

Source: Capital Link, Digital Forum Agenda, 31 March

Sentiment was also very strong in the product tanker sector although there is indeed more uncertainty for medium-term demand depending upon refinery actions. Bugbee of Scorpio, usually known for his boisterous stock promotion, was more reserved and focused on prioritizing safe and effective operations of his fleet. He warned against getting too 'cute' on stock pricing and encouraged delevering and building up cash while rates are strong.

A reminder was made by several management figures that although VLCCs are getting the major headlines for huge rates (i.e. $150k/day or more), on a cargo-capacity basis many of the product tanker segments are nearly just as profitable. Bugbee pointed to surging LR rates and Gurnee of Ardmore illustrated ASC's huge earnings leverage at current MR rates.

Containerships

The containership panel was smaller and included just three firms, **Capital Product Partners** (CPLP), **Danaos Corp** (DAC), and **Euroseas** (ESEA).

CONTAINER SHIPPING: ***Sector Trends & Outlook***

Moderator: Mr. Christian Wetherbee, Director - Airfreight, Surface & Shipping Research - **Citi Research**

Panelists:

- **Mr. Jerry Kalogiratos**, CEO - **Capital Product Partners (CPLP)**
- **Mr. Evangelos Chatzis**, CFO - **Danaos Corporation (DAC)**
- **Mr. Aristides Pittas**, Chairman & CEO - **Euroseas (ESEA) and Eurodry (EDRY)**

Source: Capital Link, Digital Forum Agenda, 31 March

Uncertainty abounds in this segment, but there is optimism if China can lead the recovery and counterparties remain strong. Many of the top counterparties enjoy domestic governmental support, so there's a hope that this continues and we don't see 'another Hanjin.' Moreso than any other segment, my personal opinion is these are just derivative finance plays. We need to look at the major container lines such as Maersk, COSCO, CMA CGM, and MSC and consider their solvency and liquidity moreso than actual shipping demand.

Dry Bulk

The dry bulk shipping panel included five firms: **Grinrod Shipping** (GRIN), **Safe Bulkers** (SB), **Scorpio Bulkers** (SALT), **Seanergy Maritime** (SHIP), and **Star Bulk Carriers** (SBLK).

DRY BULK SHIPPING: ***Sector Trends & Outlook***

Moderator: Mr. Randy Giveans, Maritime Shipping Group Head, Equity Analyst - **Jefferies LLC**

Panelists:

- **Mr. Martyn Wade**, CEO - **Grindrod Shipping Holdings (GRIN)**
- **Dr. Loucas Barmparis,** President & Director - **Safe Bulkers, Inc. (SB)**
- **Mr. Robert Bugbee**, President - **Scorpio Bulkers Inc. (SALT)**
- **Mr. Stamatis Tsantanis**, Chairman & CEO - **Seanergy Maritime Holdings (SHIP)**
- **Mr. Hamish Norton,** President - **Star Bulk Carriers Corp. (SBLK)**

Source: Capital Link, Digital Forum Agenda, 31 March

Valuations have been beaten down extremely hard in dry bulk and daily rates for most of the ships, especially the largest class of Capesize vessels, have been horrendous all year. Capesize rates in particular have been below opex breakevens for over two months.

Several of the firms on the panel, most notably SBLK, but also SALT, SHIP, and SB to varying degrees, have made bets on scrubbers, which will lower their fuel consumption costs in the coming years. Unfortunately for these companies, the scrubber spreads have tumbled over the past 2 months, which reduces their edge. Hamish believes a lot of this is due to the oil price collapse as a similar percentage spread translates to a much smaller nominal level. Plus they also noted that plunging global demand for diesel and jet fuel have reduced the inherent refinery competition for VLSFO (complaint fuel).

Bugbee expects heavier grades of crude oil to dominate the global markets for the rest of 2020, which should drive HSFO (older non-compliant fuel, which requires scrubbers) prices down faster, reopening some of the spread.

For dry bulk markets specifically, all eyes are on China as the primary driver of rates and sentiment. Rates notably lifted sharply early this week and longer-term contracts have also seen an uptick. Many of these firms have higher leverage than other sectors, so they cannot afford too many further delays.

LNG

The LNG panel featured **Flex LNG** (FLNG), **Golar LNG** (GLNG), and **Teekay LNG Partners** (TGP).

LNG SHIPPING: SECTOR TRENDS & OUTLOOK

Moderator: Mr. Michael Webber, Managing Partner - **Webber Research & Advisory**

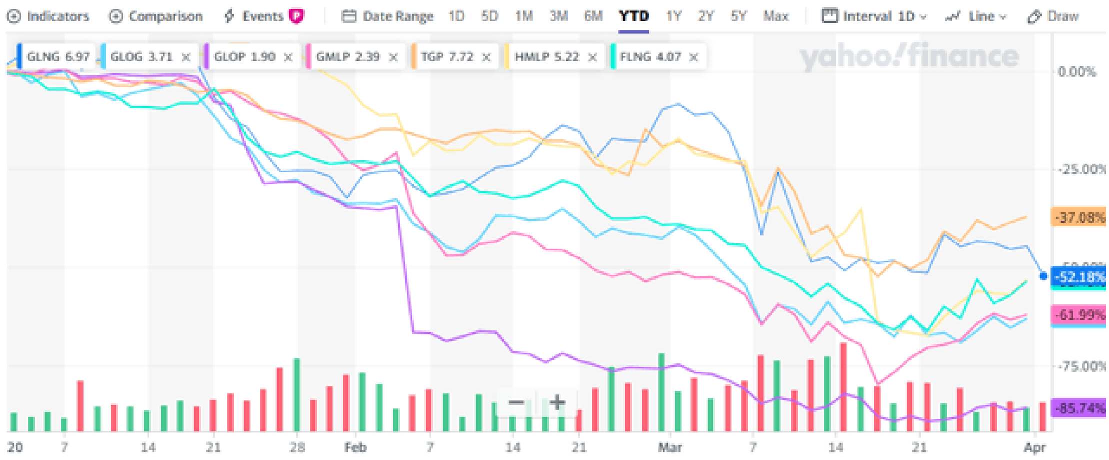
Panelists:

- **Mr. Oystein Kalleklev,** CEO - **FLEX LNG (FLNG)**
- **Mr. Iain Ross,** CEO - **Golar LNG (GLNG)**
- **Mr. Jefferson Clarke,** Managing Director, LNG - **Poten & Partners**
- **Mr. Mark Kremin,** President & CEO - **Teekay Gas Group Ltd. (TGP)**

Source: Capital Link, Digital Forum Agenda, 30 March

Oystein Kalleklev pounded the table on the cheapness of LNG versus coal, arguing both an economic angle as well as an ESG angle for the sector. Golar plans to take advantage of the globally depressed LNG prices by focusing on their downstream investments, particularly in Brazil. Teekay is focused on the long-term markets due to their nearly $10B contract backlog.

Sentiment was surprisingly upbeat on this panel considering the majority of LNG stocks have been completely decimated YTD, see below for a sample, the basket of main US-listed companies is off between 37% and 86%! TGP believes they are completely stable here (-37% YTD) while GLNG (-52% YTD) and FLNG (-55%) pitch themselves as winners in this environment.



Source: Yahoo Finance, LNG Sector YTD Performance Comps, 1 April 2020

LPG

The LPG panel only featured one US-listed company: **Dorian LPG** (LPG) along with overseas listed **Avance Gas** (OTCPK:AVACF) and Exmar.

LPG SHIPPING: SECTOR TRENDS & OUTLOOK

Moderator: Mr. Ben Nolan, Managing Director - **Stifel Financial Corp.**

Panelists:

- **Mr. Ulrik Uhrenfeldt Andersen,** CEO - **Avance Gas (NO: AVANCE)**
- **Mr. John Lycouris,** CEO - **Dorian LPG (USA) LLC (LPG)**
- **Mr. Jens Ismar,** Executive Director Shipping – **Exmar (EBR: EXM)**
- **Mr. Zahid Afzal,** Senior Analyst – LPG, Business Intelligence Team - **Poten & Partners**

Source: Capital Link, Digital Forum Agenda, 30 March

VLGC rates (largest class of LPG carriers) have been surging over the past year, leading to what was a multi-bagger total return for Dorian during 2019, although the majority of this gain has been given back.

John Lycouris reiterated his support of share repurchases during these times of steep discounts whereas Avance prefers to pay massive dividends and let their shareholders decide. Based on the most recent dividend payout, Avance sports an eye-popping yield of 55%, just 2 weeks ago it was closer to an 80% yield!

Sentiment is strong in the near-term, but more challenging due to obvious structural issues with global demand. Avance expects rates to come off by the fall, but pitched this as a potentially better long-term outcome if rates cool off before we see another major wave of newbuildings.

Conclusion: Finding Value in the Chaos

In these challenging and volatile markets, individual stock research and selection is more important than ever before. Although nearly all shipping stocks have sold off on similar trajectories, certain sectors are clear winners, others are in flux, and a few are clear losers.

LNG for instance has sold off the worst, yet with a longer-term viewpoint, there is a strong investment case. Containerships have sold off by a similar amount, but there is legitimate concern about counterparty stability. Dry bulk is a clear bet on China, while crude tankers ironically perform better the worse things get in the global oil markets.

Understanding the different sectors are important, but this needs to be followed up with reviews of each company's balance sheet, liquidity, fleet make-up, and market exposure. I shared a list of **"12 Maritime Bargains"** nearly a month ago and I still stand by this list today as a good starting point. I look forward to an informed discussion below.

Deep Value & Market Opportunities

High volatility and uncertainty often brings indiscriminate selloffs. These markets tend to produce profitable allocation and trading opportunities and deep value research is our specialty at **Value Investor's Edge**.

We've identified several beneficiaries of the global oil rout and uncertain shipping markets, most recently including the crude tanker sector. There are also beaten down stocks which are primarily isolated from current market rates. These companies offer unique buying opportunities. Due to recent market volatility, I've ***extended free trial availability until 5 April***.

https://seekingalpha.com/article/4335607-global-shipping-tankers-winning-uncertainty-abounds

Crude tankers poised for 'once-in-a-generation' boom

Greg Miller, Senior Editor Tuesday, March 31, 2020

"I've been telling investors lately that this is a once-in-a-decade situation. I'm about to claim that this is actually a once-in-a-generation situation," said Robert Hvide Macleod, CEO of crude-tanker owner Frontline (NYSE: FRO).

"This year is looking incredibly strong," he told viewers of the Capital Link International Forum, which was held virtually.

Cratering global demand due to the coronavirus is proving disastrous for many transport companies, but not for crude tankers, which are now "in a parallel universe," said Peter Sand, chief analyst of shipping association BIMCO. "The market is on fire."

"I'm just sitting here thinking how odd it is that we're all benefiting from a demand-destruction scenario," Ridgebury Tankers CEO Bob Burke told Capital Link forum-watchers. "I never would have thought this could happen, but it's the extremes that drive the equation and what we have now is really extreme."

"It's a very weird experience running a tanker company today," said Hugo De Stoop, CEO of Euronav (NYSE: EURN). "We must be the only ones enjoying this market. The rest of the world is melting down."

The tanker party

Rates for very large crude carriers (VLCCs, tankers that carry 2 million barrels of crude oil) rose to $239,400 a day on Tuesday, up 151% week-on-week and 623% month-on-month, according to Clarksons Platou Securities, which urged investors to "enjoy the tanker party."

The collapse in the price of crude oil to around $20 per barrel and the surge in new production from Saudi Arabia have spurred refiners, governments and traders around the globe to stock up. This has created demand for VLCCs to move the cargo to land-based storage facilities, as well as demand for VLCCs to be used for floating storage, all of which inflates spot rates.

According to the analyst team at Fearnleys Securities led by Espen Fjermestad, “Owners are able to put vessels away for 6-12 months at very attractive rates, supported by extreme floating-storage economics. We wouldn’t overrule seeing 100-200 VLCCs taken off the market for the next 6-12 months.”

“What we’re seeing now is a complete destruction of oil demand in the world,” said Macleod, who estimated that global oversupply has reached 20 million barrels per day. “We don’t think there is more than 300 million barrels of [commercial land-based] storage in the world, so we’re going to have storage on ships at levels more extreme than we saw in 2015.”

“One thing is certain: The supply of ships is being strangled,” Macleod said. “Whether we have 10 million or 20 million extra [barrels a day], it’s building at a pace we have never seen before. The demand destruction is unheard of, and people are continuing to pump. Turning off production is not something you can do instantly — it’s not a garden hose. And for shipowners, what’s important is not demand, it’s oil production.”

De Stoop told the Capital Link audience that land-based crude storage “will be filled up very soon — in the next 30-60 days.” Moves to secure storage on ships are already in full swing. “We’ve been approached for contracts for six to eight months at rates between $70,000 and $90,000 a day,” De Stoop said. “These are very serious rates and it [floating storage] will also be beneficial for all the companies with exposure to the spot market, because it will restrict vessel supply.”

The hangover after the tanker party

It’s a certainty that private owners of VLCCs are raking in huge sums. It’s also virtually guaranteed that public investors will receive very large dividend payouts for the first and second quarters. What’s not guaranteed is that crude-tanker stock prices will follow the upward trend line of spot rates.

Crude-tanker stocks face two formidable headwinds. First, the coronavirus is putting massive pressure on the broader stock market due to fears over falling GDP. Tanker stocks have been championed as a safe haven amid the chaos, yet they are not always bucking the trend.

On Monday, the stock market rose and several tanker stocks surged by double digits in extremely heavy trading. But on Tuesday, when the broader market fell, so too did tanker stocks. Frontline dropped 9% in double the average trading volume.

Despite gains this month, Frontline was still down 26% year-to-date as of Tuesday, International Seaways (NYSE: INSW) was down by 20%, Euronav by 12% and DHT (NYSE: DHT) by 9%.

The stocks are still trading at a discount to their net asset value (market-adjusted value of assets minus liabilities). According to Jefferies analyst Randy Giveans, INSW is at a 20% discount to NAV, Euronav is at a 14% discount, Euronav 11% and DHT is the best performer at an 8% discount.

The other potential headwind for equities involves the rate hangover to inevitably follow the “tanker party.” According to De Stoop, “We all know that when oil is stored, at some point it will be consumed, and when it is, demand for transportation will be reduced and oil production will be reduced.”

Nicolas Duran, a director and partner at Fearnleys Securities, said during the Capital Link event, “Tankers are essentially just borrowing from the future. Whatever benefit you’re seeing now, you’re going to have to pay for down the line and it’s going to take longer before we get back to a natural recovery.”

Mike Webber, founder of Webber Research and Advisory, said in a new research note that his team is “long the [tanker] group as the market searches for just how deep the storage trade could get” in the near term, but cautioned, “We’d remain nimble with the group as we think the market will be relatively quick to start pricing in an unwind of that storage trade for tanker equities.”

During the Capital Link event, he warned, “It’s difficult to think that the equities would somehow look past rates going down to $20,000-$30,000 per day [after the storage play ends] and just rely on the cash flow that’s in the rearview mirror.

“These [equities] are going to be forward-looking mechanisms. Tankers are minting money, but it would run counter to about 15 years of data to suggest that the stocks will hold on while rates go to $20,000 per day and investors will just be happy with the cash flows from the first half of the year.” ***More FreightWaves/American Shipper articles by Greg Miller***

https://www.freightwaves.com/news/crude-tankers-poised-for-once-in-a-generation-boom

Maritime CEO Knut Ørbeck-Nilssen addresses global transformations at Capital Link International Shipping Forum

During his keynote address at Capital Link’s 14th Annual International Shipping Forum, Knut Ørbeck-Nilssen, DNV GL Maritime CEO, spoke about tackling global transformations, calling for industry stakeholders to be open-minded to new opportunities, ways of working and different solutions heading into the new decade.

Published:
02 April 2020

Contact: Anne Moschner, Director Communications, DNV GL – Maritime

While addressing attendees of the digital forum, Ørbeck-Nilssen spoke of the importance of maintaining focus on the major transformations shaping the maritime world beyond the current health crisis, namely increasingly unpredictable markets, shifting environmental regulations, and the impact of digitalization.

Ørbeck-Nilssen stressed that the uptake of alternative fuels, in addition to other measures like increasing ships’ energy efficiency, speed reduction, and more effective logistics would all have to play a part for the industry to achieve the IMO’s 2050 targets for the reduction of greenhouse gas emissions.

“When it comes to fuels, it is important to act now and not wait for the ‘perfect’ fuel,” said Ørbeck-Nilssen. “While the size of a vessel, it’s operating profile, and type of cargo, are all factors that need to be taken into consideration when evaluating potential fuel alternatives for a particular vessel, DNV GL sees gas as the first large scale alternative fuel to initiate the needed change and also serve as a bridging fuel into the more distant future. Gas is readily available today and can deliver measurable GHG reductions of 15-20%.”

Ørbeck-Nilssen concluded by emphasizing that due to the transformations gripping the shipping industry, having quality and safety at the core of every decision was more important than ever.

https://www.dnvgl.com/news/maritime-ceo-knut-orbeck-nilssen-addresses-global-transformations-at-capital-link-international-shipping-forum-171618

Oil held in storage at sea approaching 2009 record as glut builds up

Jonathan Saul

LONDON, April 1 (Reuters) - Oil traders are storing as much as 80 million barrels of oil on tankers at sea, with further ships being sought as land storage sites fill up fast due to a global glut of stocks, shipping industry sources say.

Traders rushed for storage after global oil demand collapsed by a third due to the coronavirus outbreak, and as top producers Saudi Arabia and Russia have refused to curb output so far, creating what is believed to be the biggest oil glut in history.

The last time floating storage reached similar levels was in 2009, when traders stored over 100 million barrels at sea before offloading stocks.

There are over 770 supertankers in the world - each carrying a maximum of 2 million barrels - and shipping sources estimate that between 25 to 40 are currently being used for floating storage.

Locations typically include the U.S. Gulf and Singapore, where major oil hubs are situated.

This compares with fewer than 10 such vessels - known as very large crude carriers (VLCCs) - in February.

The crude market is currently trading in what is known as contango, where forward prices are higher than immediate prices. This market structure encourages traders to park barrels in storage in the hopes of selling them for a profit later.

Richard Matthews, head of research with ship broker E.A. Gibson, estimated that at least 31 VLCCs had been chartered in March for 12 months or less, with it likely that these included storage options.

This compared with 4 VLCCs booked in February for charters of 12 months or less with likely storage options, Matthews added.

Daily tanker rates have rocketed to record highs of over $230,000 a day this week, and reached the $200,000 a day level around March 12. Traders have to pay a premium for longer term charters.

Robert Hvide MacLeod, chief executive of leading tanker player Frontline, described the situation as “once in a generation”.

“It’s now really kicking off - the storage on ships is about to change this market and change 2020 completely,” he told a digital Capital Link forum on Tuesday.

Nikolas Tsakos, chief executive of Tsakos Energy Navigation , added that there was also growing interest for the smaller aframax tanker segment.

“We are one of the few industries going through a very strong cycle, we are seeing a lot of interest for storage. The contango is there,” he told the forum.

Trade sources said on Wednesday that storage tanks in the United Arab Emirates’ Fujairah, a key bunkering and oil hub in the Middle East, had reached their full capacity for both crude and oil products.

“Owners have been able to put vessels away for 6-12 months at very attractive rates, supported by extreme floating storage economics,” broker Fearnley Securities said in a note this week. “We wouldn’t overrule seeing 100-200 VLCCs taken off the market for the next 6-12 months.”

Hugo De Stoop, chief executive of major tanker operator Euronav, said separately that the global VLCC fleet would be available for floating storage depending on the rates. (Additional reporting by Julia Payne; Editing by Dmitry Zhdannikov)

https://www.reuters.com/article/global-oil-tankers/oil-held-in-storage-at-sea-approaching-2009-record-as-glut-builds-up-idUSL8N2BP4OA