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Challenges for importers

Importers, particularly those reliant on container shipments, are facing a storm of disruptive factors. The COVID-19 pandemic has created winners and losers as it has across the economy. The pandemic has been joined by several other factors that are disrupting international markets and business for importers. On top of all that, there have been the post-Brexit challenges of managing imports.

Disruptions to shipping and challenges for importers

The blockage of the Suez Canal in March 2021 caused major disruption to shipping schedules and a backlog in deliveries. Secondly, following the initial decline at the onset of the pandemic, there has been a strong recovery in demand since the summer of 2020. Finally, international shipping is being affected by container shortages and port congestion which are causing operational challenges.

These market dynamics have created what many are describing as a perfect storm driving a significant surge in prices. Indeed, container price indexes showed record increases over the last 12 months.

The question is whether this is a passing or lingering

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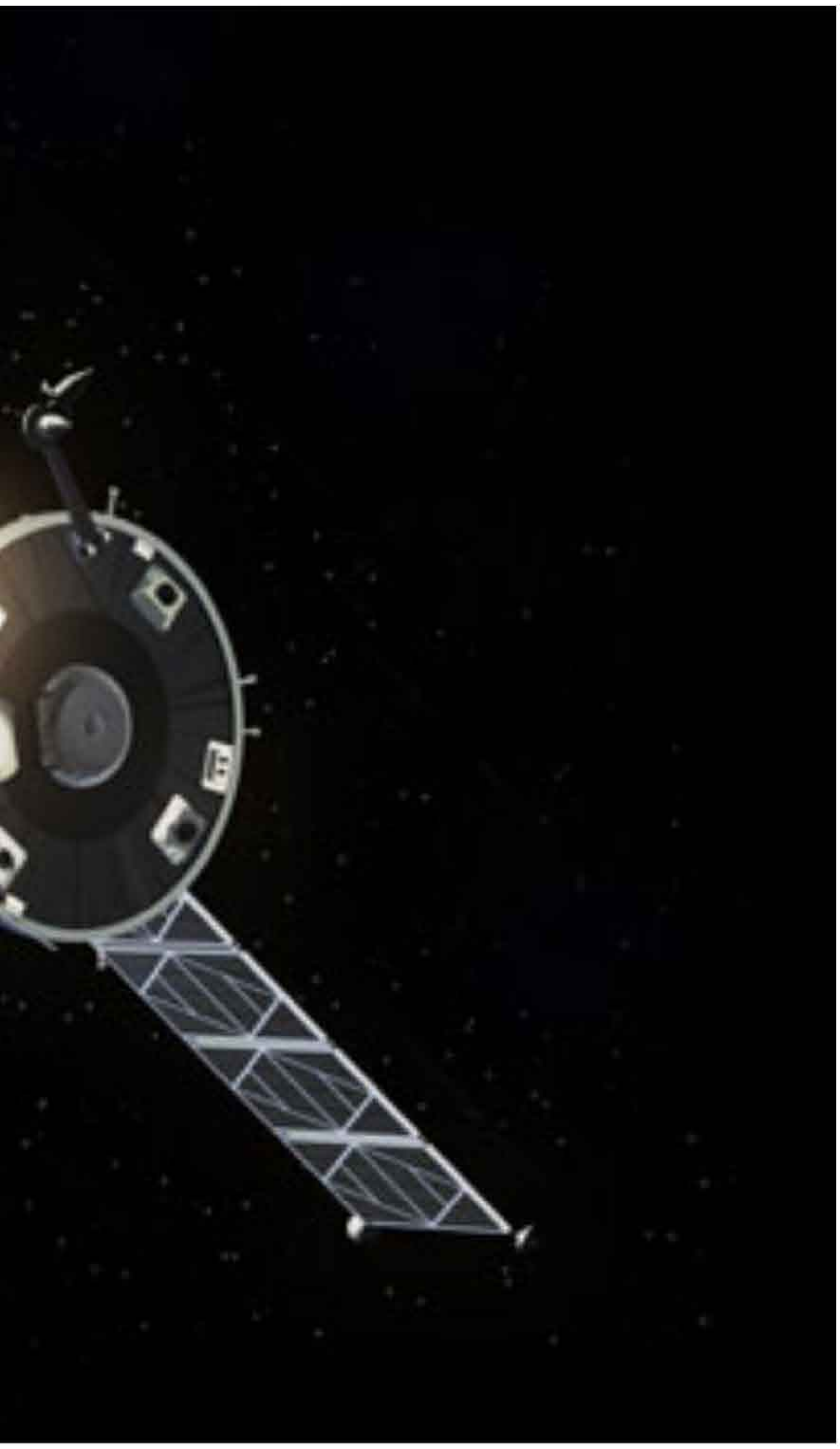
ORCHESTRA - Communications Network of the Future

Inmarsat unveiled plans for ORCHESTRA, the communications network of the future. In the largest ever transformation of its current world-class services, Inmarsat ORCHESTRA will bring together existing geosynchronous (GEO) satellites with low earth orbit satellites (LEO) and terrestrial 5G into an integrated, high-performance solution.

Whether for a ship in a crowded port, an aircraft preparing to land at LAX, or a defence force deployed in a remote location, ORCHESTRA is designed to meet evolving connectivity needs in the mobility market with a service unmatched by any competitor offering, planned or in existence.

"An orchestra brings different instruments together, each supporting the other and playing its role in the masterpiece. We're building ORCHESTRA on the same concept," said Rajeev Suri, CEO of Inmarsat. "By combining the distinct qualities of GEO, LEO and 5G into a single network, we will deliver a service that is far greater than the sum of its parts. Our customers will benefit from dramatically expanded high throughput services around the world. This is the future of connectivity and Inmarsat is perfectly positioned to bring it to the world with its proven technology expertise, right base of customers and partners, and financial strength."

ORCHESTRA will open up a host of new and previously unattainable possibilities for industries across the world. New services include close-shore navigation for autonomous vessels, next-generation emergency safety services for maritime crews, secure and tactical private networks for governments and direct-to-cloud connections for airlines. New segments set to benefit from ORCHESTRA include energy rigs and drilling platforms, mid-market business aircraft, coastal vessels, smart passenger ships and urban air mobility.



ORCHESTRA is unique because it draws together the benefits of multiple technologies to create one cohesive solution. LEO, GEO and terrestrial networks have never been combined at scale before to create a unified connectivity service for mobility customers. The result is a 'dynamic mesh network' that will deliver high-performance connectivity everywhere. Bringing together the lowest average latency and fastest average speeds with unique resilience, ORCHESTRA will eliminate the industry-wide challenge of congested network 'hot spots'.

Inmarsat's existing GEO satellites - both GX and L-band - will continue to provide global coverage, high performance, security and resilience. Terrestrial 5G adds ultra-high capacity in busy 'hot spots', such as ports, airports, and sea canals. A small constellation of LEO satellites will layer additional high capacity over further high-demand areas such as oceanic flight corridors. As a result, the network will offer the highest capacity for mobility users worldwide, and at 'hot spots'.

The network will benefit from 'dynamic mesh' technology, which allows individual customer terminals to direct traffic to and from other customer terminals. This means that a ship within reach of a 5G ground station can receive ample capacity for its own needs as well as route capacity onwards to other vessels beyond terrestrial reach. This effectively creates a mobile web of terminals that extend the network's reach and improve its performance and resilience.

Combining the distinct qualities of GEO, LEO and 5G into a single network will deliver a service that is far greater than the sum of its parts, says Inmarsat.

"ORCHESTRA ensures Inmarsat is well positioned to deliver long-term, profitable growth by delivering new services to existing customers, targeting near-adjacent market segments, and maintaining a strong competitive position," said Suri. "We have a record of adopting the right technology at the right time. We plan to focus initially on delivering the ORCHESTRA terrestrial network, while preparing for a future LEO constellation in the range of 150-175 satellites. This is a highly cost-effective approach that leverages Inmarsat's leading GEO satellite networks as part of ORCHESTRA's unique multi-layer architecture."

The new approach means that Inmarsat can easily boost capacity in high-density areas such as ports and airports, ensuring customer needs continue to be met well into the future with capacity scaled directly to match their requirements. The initial five-year (2021-2026) total investment for ORCHESTRA is expected to be in the order of $100m.

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RNLI's Rescuers Return Home to Public Anger

The volunteer-operated Royal National Lifeboat Institution has been saving lives at sea since 1824, and its crews routinely overcome rough weather and dangerous circumstances to bring mariners to safety. But RNLI stations located on the Channel are encountering a new challenge as they carry out their role as the UK's first responders at sea: they are sometimes met by angry mobs hurling insults and beer cans when they return. The RNLI responds to all in need, and when its crews rescue maritime migrants rather than fishermen, the response of local residents can be emotionally charged.

On one rescue, a crewmember recounted rescuing two families in a small inflatable. They were showing signs of exposure, and the crew wanted to bring them in quickly to get them care. "When we got there, there were

some members of the public who saw us coming in with this - two families, little children, four or five years old in this boat, and a small group of them were standing there on the beach shouting, 'off back to France' at us as we tried to bring them in," the crewmember said. "It's one of the most upsetting things I've ever seen."

Another crewmember recounted the reception given to a group of rescue on a crowded summer beach when the RNLI crew towed their small boat to shore.

"I would have said there were two families on board. Looking at them you could almost say they were doctors, dentists. the children and the woman was just praying in the little boat, please rescue us, please rescue us," he said. "And I felt so sorry for them because where they were taken ashore it was one of the busiest days of the year. The beach was absolutely packed. The abuse that was thrown at the people walking up the beach, the women and the children and there was some drunken yob throwing a beer can at them. You just can't believe what you are seeing from human beings."

Though the RNLI has long enjoyed public support for its charitable work, the tenor of interactions has occasionally become tense in between missions as well. "We've had some vile abuse thrown at us," said another crewmember. "I've personally had personal phone calls at the lifeboat station people telling me what they think of me by bringing migrants in."

The crewmembers emphasized that their work results in lives saved, and that without it, fatalities may be a matter of time. The migrants they rescue are in distress, often right in the center of the world's busiest shipping channel. The small vessels typically lack propulsion or steerage to counter the currents, and the passengers often set out without proper clothing or equipment. Frequently there are young children and infants on board.

For the RNLI, this means that every emergency call received from HM Coastguard deserves the same level of response, according to RNLI Chief Executive Mark Dowie - whether it is a fisherman or a merchant mariner or a migrant.

"When our lifeboats launch, we operate under international maritime law, which states we are permitted and indeed obligated to enter all waters regardless of territories for search and rescue purposes," he said. "And when it comes to rescuing those people attempting to cross the Channel, we do not question why they got into trouble, who they are or where they come from. All we need to know is that they need our help."

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MONTHLY MARITIME CASUALTY LIST - JULY 2021

NAME OF THE VESSEL	DATE	GEOGRAPHICAL LOCATION	CATEGORY	CREW NATIONALITY	BUILT	FLAG	DEAD WEIGHT
CANMAR	01.07.2021	Westeralen Archipelago waters, Nordaland, Norway	Grounding	Unknown	1993	Norway	1260
THORN1	02.07.2021	Gulf of Aden NE of Djibouti	Mechanical Failure	Ukrainian	1991	Gabon	Unknown
IVER AMBITION	03.07.2021	Conception Bay, southeast coast of Newfoundland, Canada	Illness Onboard	Unknown	2009	Italy	8962
CSAV TYNDALL	03.07.2021	Gulf of Oman or Strait of Hormuz	Attacked	Unknown	2014	Liberia	116058
MOL CHARISMA	05.07.2021	Cai Mep -Vung Tau Vietnam	Grounding	Unknown	2007	Bahamas	90390
FLAVIN	07.07.2021	Bermuda	Illness Onboard	Unknown	2018	Malta	115126
SV KNYAZ VLADIMIR/RUSICH 6	07.07.2021	Taganrog Port, Russia, Azov sea	Collision	Unknown	2003/2005	Russia/Russia	5440/5485
PHUC THUAN	07.07.2021	Haikou, Hainan island, China, South China sea	Sank	Unknown	2008	Vietnam	3007
AMBER TRADER	08.07.2021	Kiel Canal	Allision	Unknown	1998	Antigua	5727
BKM 104/PALAWAN PEARL	08.07.2021	Manila Bay, South Harbor Anchorage area, Philippines	Collision	Unknown	2009	Cyprus	Unknown
OCEAN TRADER	08.07.2021	Dubai port, UAE	Explosion and Fire	Unknown	1993	Comoros	3240
MSC CAPUCINE R	10.07.2021	Iskenderun port, Turkey	Detention	Ukrainians	2001	Liberia	40059
ZEPHYR LUMOS/GALAPAGOS	10.07.2021	Malacca Strait off Melaka, Malaysia	Collision	Unknown	2021/2010	UK/Malta	158097/75661
KETALING	10.07.2021	PT. Multi Ocean Shipyard floating dock, Karimunbesar island, Indonesia, Singapore Strait	Fire	Unknown	1998	Indonesia	6500
SKYLIGHT	11.07.2021	Mauritius	Mechanical Failure	Unknown	2009	Marshall Islands	56847
XINGU 333	13.07.2021	Shawan Waterway, Guangzhou, Guangdong Province, China	Allision	Unknown	Unknown	China	356
GULLAAS	15.07.2021	Vagsoy island, Vestland county, Norway	Grounding	Unknown	1987	Norway	1218
STI ELYSEES	16.07.2021	Beykoz area, Istanbul	Mechanical Failure	Unknown	2014	Marshall Islands	109999
CARLA LIV	16.07.2021	Venice	Grounding	Unknown	1999	Marshall Islands	23026
SHI XIANG 156	19.07.2021	Pulau Indah waters, Port Klang, Malaysia	Fire	Unknown	2006	Tanzania	1875
MAXIMA	21.07.2021	Waalhaven, Rotterdam	Listed	Unknown	2021	Netherlands	14330
HENG TONG 77	21.07.2021	Karachi area, Pakistan	Beached	Unknown	2010	Panama	3600
KANCHAN	21.07.2021	Arabian sea halfway between Gulf of Khambhat and Mumbai	Drifting	Unknown	1993	India	2277
SINGA BESAR 2801	22.07.2021	Mon State, Myanmar, southeast of Yangon, Andaman sea	Grounding	Unknown	Unknown	Unknown	Unknown
PING TAI RONG 49	23.07.2021	Atoll Anuanurunga, French Polynesia, South Pacific	Grounding	Unknown	2011	China	Unknown
GAS YODLA	23.07.2021	Mumbai, India	Mechanical Failure	Unknown	1996	Panama	7678
SHENG PING 001	25.07.2021	South China sea E of Hong Kong, in Guangdong Province waters	Listed	Unknown	2015	China	Unknown
ORASUND/BBC PARANA	27.07.2021	Kiel Canal near Kiel locks	Collision	Unknown	2008/2012	Denmark/Antigua	4975/16953
KOTA LEMBAH	28.07.2021	Bay of Plenty, northern North Island, NZ	Collision	Unknown	2013	Singapore	51822
MAYMONA	29.07.2021	Gulf of Patras, Greece, Ionian sea	Grounding	Unknown	1972	Panama	6341
MERCER STREET	29.07.2021	Arabian sea some 60 nm north of northern Al Masirah island, Oman	Attacked by drones and missiles	Romanian, UK	2013	Liberia	49992
SUVARI H	29.07.2021	Arabian sea some 180 nm east of Gulf of Kutch, India	Sank	Unknown	1993	Gabon	9454
HOEGH ESPERANZA	30.07.2021	Rio de la Plata fairway, Buenos Aires	Grounding	Unknown	2018	Norway	Unknown

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No. 877

LEARN-O-WIN QUIZ?

1 According to 46 CFR Subchapter T, how long should exhaust blowers be operated in enclosed spaces containing gasoline powered machinery before starting the engine?
A) For at least four to five minutes
B) No fixed amount, but the blower should run until you don't smell any gas
C) Long enough to achieve at least one complete change of air
D) Long enough to achieve a minimum of two complete air changes

2 The securing of passenger cars on a Ro-Ro vessel requires
A) Low labor intensive equipment
B) Specially designed equipment to avoid vehicle damage
C) Simple and lightweight equipment
D) All of the above

3 According to the Pollution Prevention Regulations (33 CFR), who makes the final decision of when oil transfer may begin?
A) The captain of the port
B) The senior deck officer present
C) The designated person-in-charge
D) Any local Coast Guard representative

4 A vessel is not required to carry urine specimen collecting kits onboard the vessel only if the individuals directly involved in a Serious Marine Incident can be tested ashore within
A) 12 hours
B) 24 hours
C) 32 hours
D) 48 hours

5 On a MODU, when may a work vest be substituted for a required life preserver?
A) For use during boat drills
B) For use during fire drills
C) To replace a damaged life preserver
D) At no time

6 Cargo tanks on barges fitted with goose neck vents and flame screens are limited to carrying which grade of cargo?
A) A and below
B) B and below
C) C and below
D) D and E only

7 Which statement(s) is(are) TRUE concerning wire rope?
A) Wire rope should be condemned if the fiber core appears moist.
B) Wire rope should be condemned if the outside wires are worn to one-half their original diameter.
C) Wire rope which is right-hand laid should be coiled counterclockwise to prevent kinking.
D) All of the above

8 What do the emergency shutdown requirements of U.S. regulations apply to?
A) Air compressors
B) Induced draft fans
C) Condensate pumps
D) Cargo transfer systems

9 A common class of wire rope used for mooring is the 6x19 class. What does the 6 represent?
A) Factor of safety
B) Number of wires in the core
C) Number of strands per wire rope
D) Number of wires per strand

10 All straight shank twist drills must be mounted or held in a
A) Tapered sleeve
B) Morse sleeve
C) Drill chuck
D) Drill socket

For Answers See BELOW

ANSWERS TO THE Learn-O-Win Quiz

Q1 C
Q2 D
Q3 C
Q4 C
Q5 D

CHECK YOUR SCORE
EXCELLENT - 10-8 points
GOOD - 5-7 points
POOR - 1-4 points

Q6 D
Q7 B
Q8 D
Q9 C
Q10 C

01 Challenges for...

storm? The unwinding of the Suez-related backlog may take some pressure out of the market but as economies recover from the pandemic there is scope for consumer spending and demand to increase. This will, inevitably, prolong the current market challenges for many import businesses.

As well as supply volumes being jeopardised as businesses struggle to book container shipments, margin levels are being eroded where the significant shipping cost increases cannot be passed entirely on to the consumer. Unsurprisingly, this is inevitably leading to some price rises for consumers.

While many businesses are sufficiently financially resilient to manage the negative impact of these issues, some businesses will be facing financial challenges. In particular, those whose cash reserves have already been weakened by the COVID-19 pandemic will be facing additional cash pressure. Businesses relying on working capital debt facilities are also likely to see a reduction in liquidity as volumes decline.

Despite these significant headwinds for importers, some shipping and freight businesses are generating significant profits on the back of record pricing levels.

How importers can manage these challenges

While the market remains fluid and challenging, there are several actions you can take to reduce the impact of market factors:

- Operational improvement through efficient operational processes and planning will mitigate the impact of wider market risks as well as improving profitability and cash generation
- Improving liquidity through efficient working capital management
- Adopt appropriate forecasting tools and practices to improve cash management
- Maximise available liquidity by reviewing funding structures and financing options
- Improve your financial scenario planning through robust financial forecasts and consider the range of options available to manage future funding requirements in varying scenarios
- Adopt a more proactive and collaborative approach to stakeholder management.

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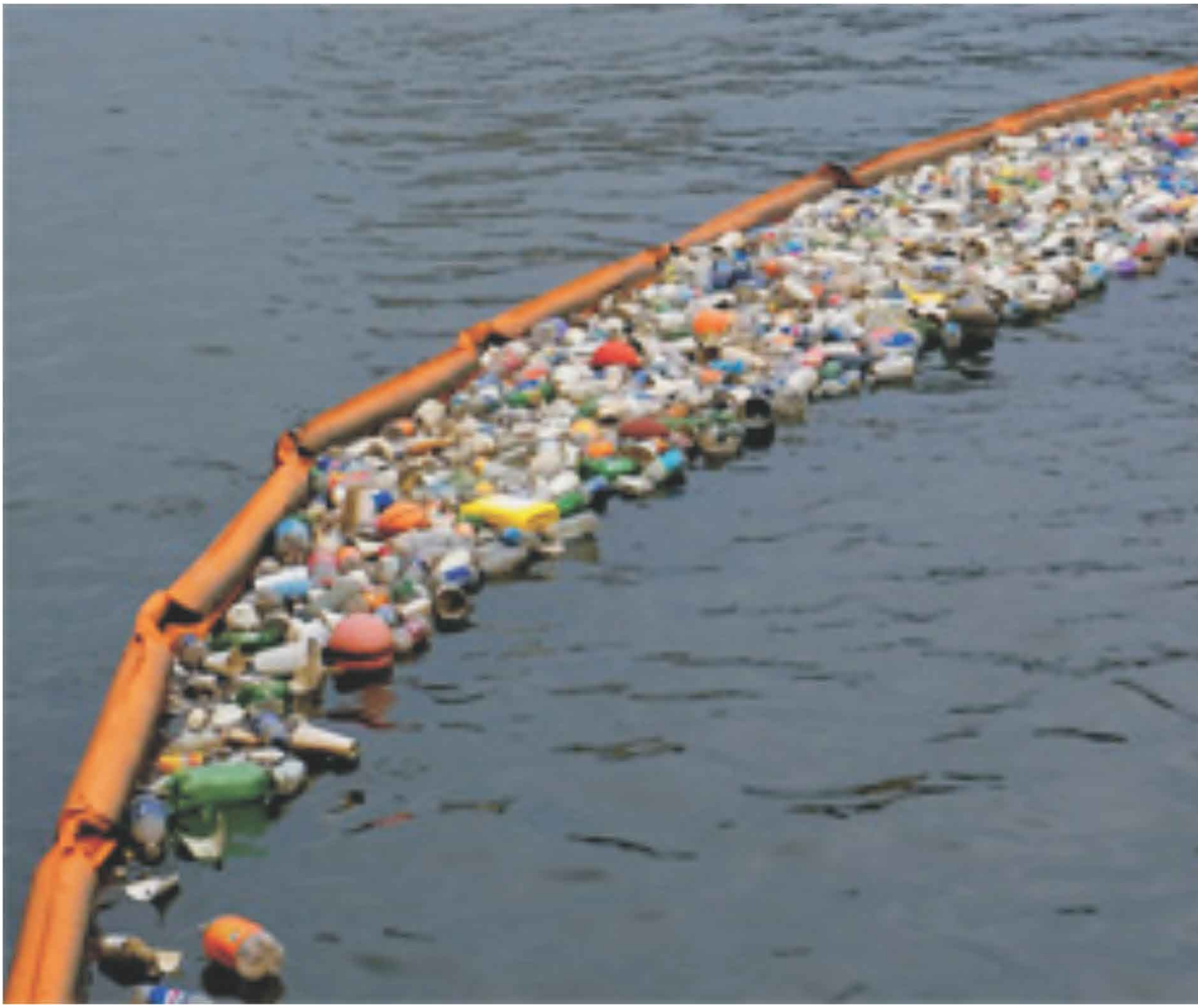

Riverrecycle & Clean Planet aim to turn non-recyclable plastics into marine fuel

Swedish waste management firm Riverrecycle and UK-based renewable energy company Clean Planet Energy have entered into an agreement to remove non-recyclable plastics from rivers and then repurpose the waste as new ultra-clean fuel for the marine sector.

The focus of the partnership will begin in Indonesia and the Philippines, the companies revealed.

They have already begun the development phase of the first ecoPlant and collection system in Manila, Philippians with a view to begin construction in early 2022.

Riverrecycle is in charge of waste management system installation on the shores of the most polluted rivers, enabling the collection of plastic waste and floating debris.

On the other hand, Clean Planet Energy builds and operates ecoPlants, environmentally-friendly facilities which can convert non-recyclable plastic waste into circular products, which can act as fossil fuel replacements.

“We are in a global plastic and carbon crisis, and no one single company, group, individual or foundation can solve it alone”, said Bertie Stephens, Clean Planet Energy's CEO.

At least 8 million tonnes of plastics end up in oceans every year, which now makes up 80% of all marine debris (from surface waters to deep-sea sediments), according to the International Union for Conservation of Nature.

Studies over the last 10 years have identified rivers as a major pathway for plastic pollution entering the oceans, with around 80% of ocean plastic having traveled there via land.

According to a report published in the National Geographic this year, of the most polluting 50 rivers, 44 are in Asia or Southeast Asia.

In March 2021, Clean Planet Energy released details of two new ultra-clean fuels for use in any ship or vessel.

The products branded under the name of Clean Planet Oceans are expected to provide CO2 emission reductions of over 75%, and reduce harmful air pollutants by up to 1,500x, the company claims.

In light of delays in international action and discussion, environmental groups and shipping associations around the world, including BIMCO, are looking at a number of initiatives to approach how shipping can reduce the plastics footprint.

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High and lows of shipping in the last six months

2021 so far has been a ground breaking year for the shipping industry and global Trade flows, as the world recovers from the onset of the Covid pandemic last year. This half year review will use VesselsValue Trade data to delve into some of the reasons for the highs and lows of the last six months, as we witness sky high rates, pent up demand and congestion in the Container and Bulker markets, to sinking rates and weak oil demand in the Tanker market.

Bulkers

While 2021 started in a downtrend for the Bulker market, it rallied throughout the first half of the year, with all vessel sizes eventually achieving decade high time charter rates. The Baltic Dry Index, considered by many economic observers as a leading indicator of economic growth, reached a high of 3418 on 29th June 2021, a level last seen over a decade ago in July 2010.

The Capesize market, typically the most volatile, printed a daily index of $44,817 in early May, which was over a 300% increase from mid February's low of $10,304. The smaller Bulker markets have had smoother but still consistent climbs, ending the first half of the year at their highest daily rates (see Figure 1.)

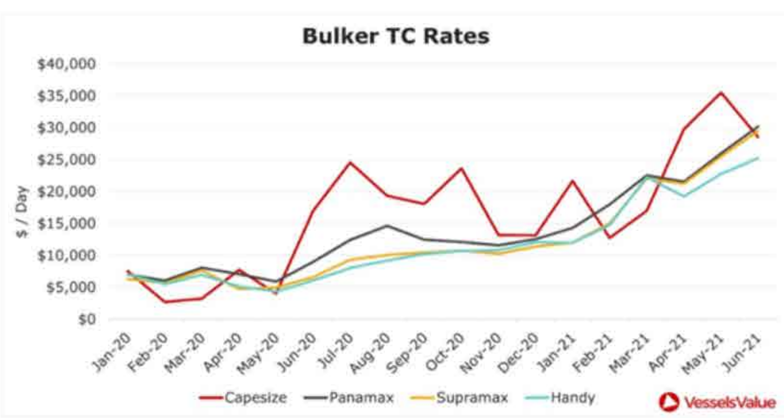


Figure 1: Bulker Time Charter Rates from January 2020 – June 2021. Source: Baltic Exchange.

The fundamentals of the Dry Bulk markets in the first six months of 2021 have changed profoundly compared to in the first half of 2020, as illustrated by the shifts in ton-mile utilisation. As is evident from Figure 2, while the Capesize market was seeing year-on-year declines in ton-mile demand of 7-8% at the start of Covid related restrictions last year, ton-mile demand has been running consistently over 5% so far this year. The picture is equally positive across the other Dry Bulk markets, with Supramax vessels recently seeing annual ton-mile growth of over 10%.

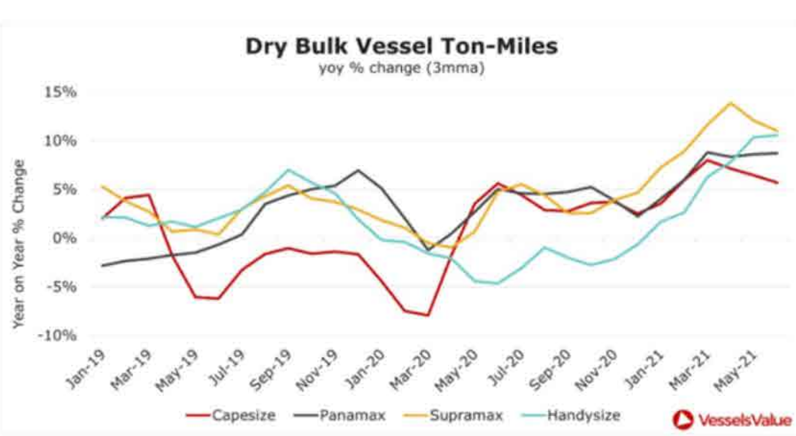


Figure 2: Ton-mile demand growth, YoY % change from January 2019 – June 2021.

Considering the positive ton-mile demand growth, we can look at the commodities which have provided support to the Dry Bulk market over the past 6 months.

Iron Ore

Persistently strong iron ore exports have been critical for the bullish fundamentals of the Capesize markets, as combined Australian and Brazilian exports ran at a rate of just over 20mt higher in the first half of 2021 compared with the same period last year (even if seasonally weaker than the record export volumes in Q4'20). Away from sheer volumes, perhaps the most important factor underpinning the strength of the Capesize market is that all the iron ore export growth over that period has come from Brazil, where loadings ran at 24mt higher than last year more than offsetting a minor drop in Australian exports (see Figure 3). The increase in those fronthaul shipments is causing sharp increases in Capesize laden distances and ballast requirements, leveraging the pure volume's impact on vessel utilisation.

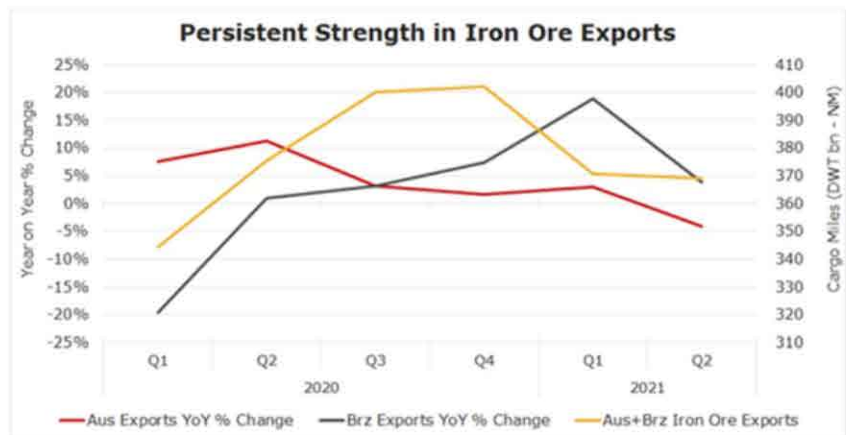


Figure 3: Strength in Iron Ore exports, from Australia and Brazil 2020 – 2021.

Coal

Developments in the thermal coal market have equally been highly supportive for the Dry Bulk market. Geopolitical tensions between China and Australia led to China effectively banning imports of Australian thermal coal since Q3 of last year.

This has led to two significant consequences for the Dry Bulk market, both causing shifts in global trade routes:

·China, the world's largest importer of coal, has had to source its thermal (and to an extent coking) coal requirements from further afield.

· Australian coal itself has had to be sold to importers that are further afield.

While China has previously imported coal from the Atlantic basin, such imports have largely been based on arbitrage and short lived. But now being unable to take Australian coal, China has become, in the space of a few quarters, a major export destination for producers in South Africa and Colombia. The fastest growing coal port in western Russia, Taman, also now sees China as a backbone destination. These fronthaul trade flows (increasing by 6-7mt per quarter) have large impacts on both the laden and ballast distances, increasing ton-mile utilisation.

While the most impactful in terms of ton-miles, the emergence over the past few quarters of those fronthaul coal trades is not the only consequence of China looking for alternatives to Australian coal. We have also seen coal exports from Russia's eastern ports shift away from Japan and South Korea and towards China – again a significant increase in ton-mile requirements.

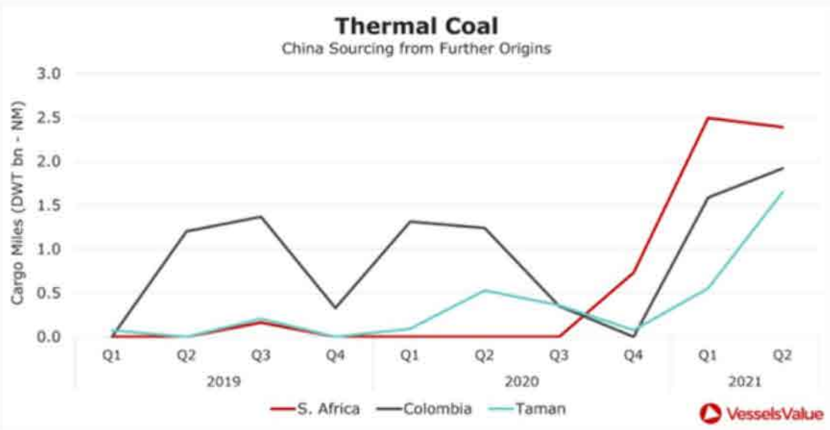


Figure 4: Thermal Coal exports, 2019 – 2021.

Now that Australian coal is effectively blocked from ports in the South of China, it has had to find outlets elsewhere. Figure 5 below shows that while Australian coal exports to China have dropped by approximately 30mt per quarter since Q2 2020, exports have increased by approximately 15mt to India, 5mt to South Korea and 3mt to Japan. Those are all longer haul destinations than the ports in southern China where it had traditionally been sold.

While the Capesize market has benefited from these shifts, the changing patterns of coal trade flows have impacted the Panamax and smaller Dry Bulk vessels proportionately more.

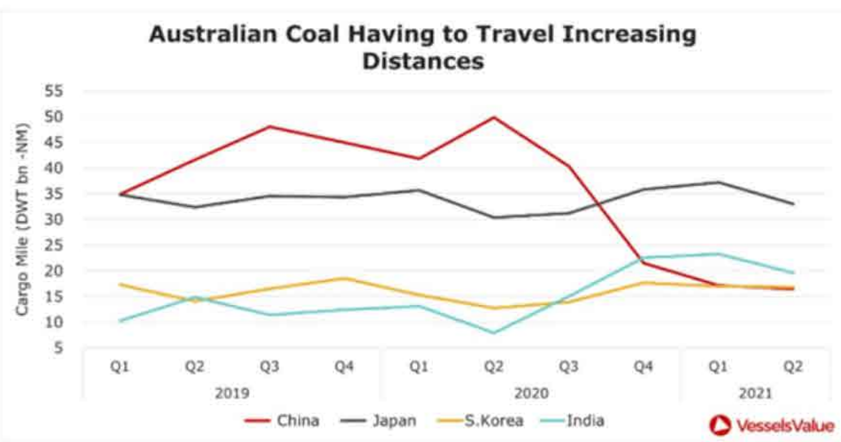


Figure 5: Australian Coal Exports and Import Destinations, 2019 – 2021.

Looking ahead to the rest of 2021, the main factors which have proved so supportive to the Dry Bulk markets in the first half of the year are likely to persist and could be further accentuated in the seasonally strong Q3 and Q4 periods.

Containers

The first half of 2021 proved a nightmare for shippers faced with sky high box rates and deteriorating liner services, characterized by delays and bottlenecks as more Container ships were held at congested ports and terminals. In contrast, shipowner operators were reaping the rewards as booming demand for vessels and TEU space skyrocketed, resulting in a red hot charter market and record breaking end of year profit forecasts never seen before.

The beaching of the EVER GIVEN (20,124 TEU, Sept 2018, Imabari) in the Suez Canal at the end of March, followed by the Covid outbreak at Yantian port in early June were pivotal moments disrupting world trade. Container global cargo miles dipped by -0.4 billion (Suez) and -0.3 billion (Yantian) respectively in 2021 as per Figure 6. Demand was subsequently more volatile than the latter end of 2020, but a marked improvement versus the first six months of 2020 when the West was decimated by a double dip shock from the pandemic.

Figure 6: Container Global Daily Cargo Miles, January 2020 – June 2021.

To gain a better understanding of underlying demand, we have compared TEU miles against the pre Covid year of 2019 in Figure 7. January through to April 2021 were clearly strong months as pent up consumer spending on retail goods rebounded (+2.7%). May was relatively similar, then demand softened in June (-2.1%) weighed down by Yantian. The overall difference is just 1.3% in favour of 2021, with year on year growth starting to decline.

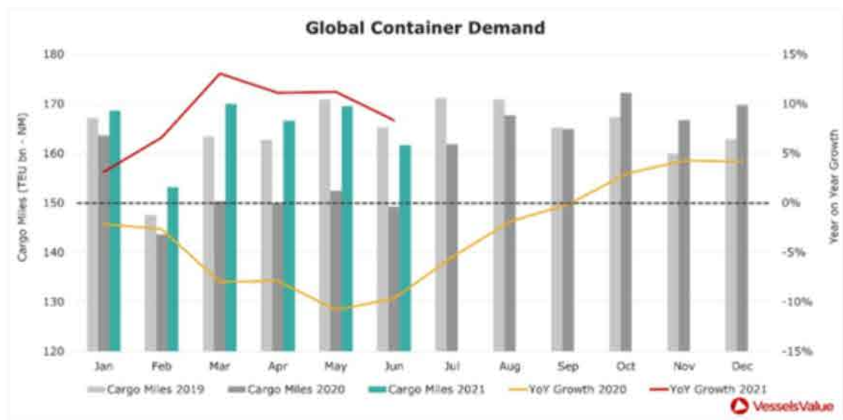


Figure 7: Global Container Demand by Cargo Miles (TEU bn-NM) and % growth.

On the supply side, the live ship count has remained relatively stable. Panamax units have held steady throughout at 709 vessels (see Figure 8). This should not be surprising as the idle fleet count for commercially viable ships has been at all time lows, with very few ships available for charter.

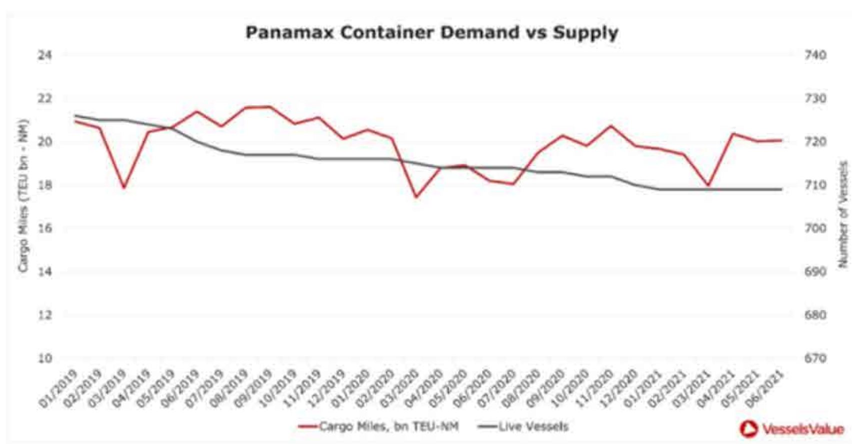


Figure 8: Panamax Container Demand vs Supply (TEU bn-NM vs Number of Vessels).

Owners basked in a sizzling charter market for the best part of 2021. Initially benefitting larger ships at the start of the year, before cascading down to smaller sizes including Handy and Feedermax from the second quarter. At one point in April, no vessels were open for charter in Europe. By the end of June, Post Panamax rates had increased by an impressive 107%. Charterers responded by renegotiating extensions and continued to increase vessel speeds to counter rising hire costs (see Figure 9). This is an interesting metric to follow for deeper insights into trade demand, in addition to VesselsValue's historical time series congestion tool.

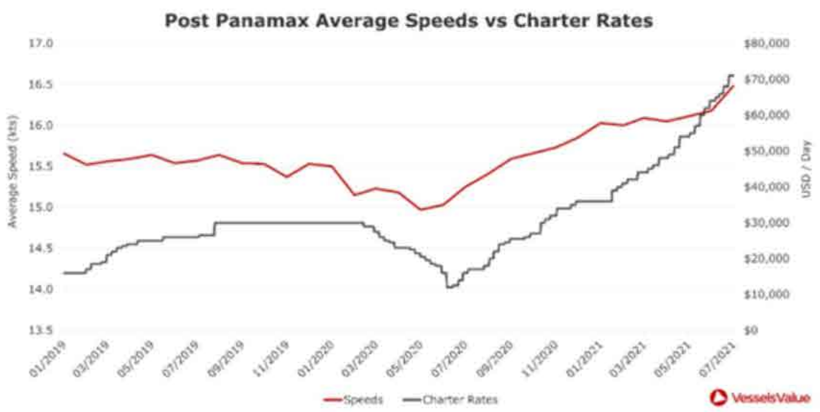


Figure 9: Post Panamax Average Speeds vs Charter Rates.

At the halfway point, Container cargo mile demand so far this year has shown volatility due to unprecedented congestion from the Suez blockage and Yantian outbreak causing global bottlenecks. Supply of tonnage became extremely tight for all container sizes, with rates continuing to firm upwards reaching new highs. Shipowner operators received a once in a lifetime windfall from the global pandemic, as clogged up ports and terminals increased demand for their ships and services.

Looking forward to the second half, underlying demand should firm as we approach peak season based on strong US retail sales. However major headwinds for carriers are to be expected if Biden signs an executive order urging the FMC to combat unfair competition practices.

Tankers

Whilst other markets have experienced an incredibly strong first half of 2021, with staggering Container and firming Bulker earnings, both the Clean and Crude Tanker markets have had a very poor start in comparison, due to the impacts of Covid catching up on the sector. This is in stark contrast to the peaks seen in Tanker earnings across the first half of last year when other ship types were struggling.

Crude Tankers

Last year's floating storage glut which saw Crude Tanker rates skyrocket in 2020, began to unwind when production cuts were implemented by OPEC+ and the contango market finally settled. By the end of January this year, just 3.86% of Crude Tankers were being used as floating storage, with this number remaining relatively stable throughout the first two quarters of 2021. This was under half the number which were in floating storage when the peak was seen a year ago in June 2020, when over 9% of Crude Tankers were being used as floating storage.

As a result of this downturn in floating storage, coupled with a dramatic reduction in demand for oil products, Crude Tanker rates this year so far have been significantly lower compared to last year. VLCC rates have been particularly weak, dropping to below OPEX in January, reaching a low of $-11,000 USD per day in mid March, which is over a 2000% YoY decline when compared to the same period in 2020.

Due to Covid's impact on international and domestic travel, world oil demand fell considerably last year, with a prolonged effect into 2021 as many countries have seen a resurgence in the virus and further lockdowns. India, a significant importer of crude oil ranking third place for the highest cargo miles over the past year, has witnessed a lull in imports this year as a surge in Covid cases slows down economic activity. Between the start of April and the end of June, cargo miles were reduced by 30%, showing how sensitive crude oil demand is to restrictions associated with Covid cases.

Figure 10 shows Crude Tanker cargo miles in the first two quarters of 2020 and 2021. Cargo miles combine actual distances sailed by each vessel and estimates of cargo volumes to indicate the true demand for vessels.

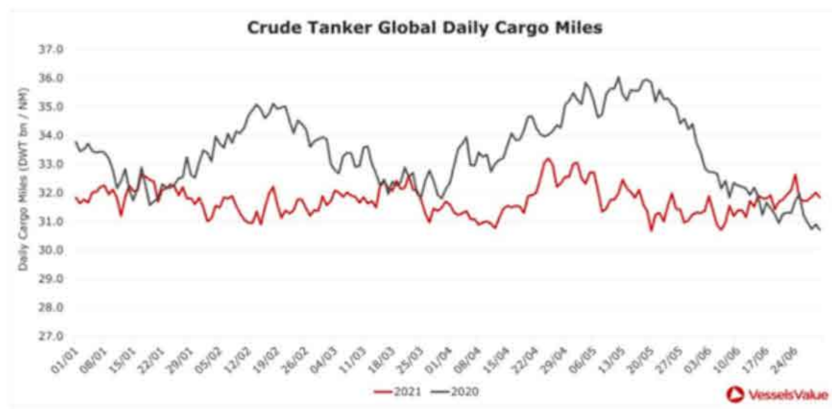


Figure 10: Crude Tanker daily cargo miles Q1 and Q2 of 2020 and 2021. VLCC, Suezmax, Aframax, Post Panamax (Dirty).

This year, Crude Tanker cargo miles have stayed almost consistently below cargo miles across the same period last year. At the lowest point in May 2021, global cargo miles were just 30.67 DWT bn/NM, which was 17% lower than at the same point in 2020. More recently since the end of May this year, we have seen a slight uptick in demand as global cargo miles have surpassed those seen in June last year. This is a positive sign, but demand levels are still a long way off those seen in 2019 and the start of 2020, and fleet growth continues, causing further imbalance. See Figure 11 for YoY Crude Tanker demand vs supply growth over the past year, showing how cargo mile growth has stayed consistently negative

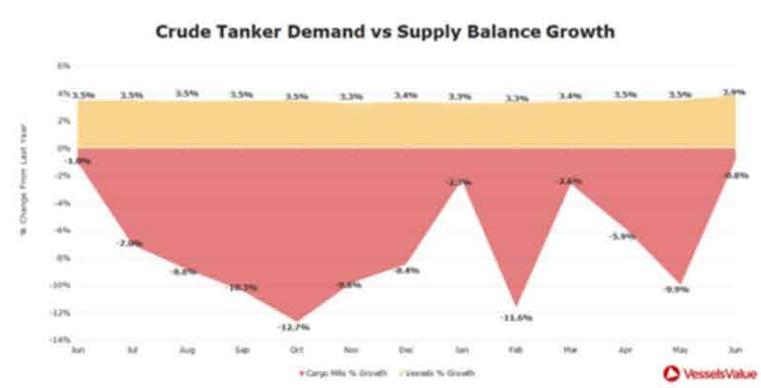


Figure 11: Crude Tanker YoY Crago Miles and Fleet Growth, June 2020 – June 2021.

Low rates will continue to be particularly concerning for the Crude Tanker market as we enter Q3, especially coupled with uncertainty for future demand and continued vessel orders. It is expected that global oil demand will rebound by 2022, but we are unlikely to witness any substantial signs of recovery this year and the uncertainty of global oil supply and prices could again unsettle the Crude Tanker market.

Clean Tankers

Clean Tankers have also been suffering in 2021 due to continuous low demand for fuels. As Covid has led to reduced consumption of crude oil, less clean products are being produced and the utilisation of clean product tankers has reduced overall. This means product tanker earnings so far this year have remained weak when compared to 2019 and 2020 rates. After crashing from the exploding rates seen a year ago, both Aframax and Suezmax have experienced periods where earnings were below OPEX, meaning rates for these types were not even covering vessel expenses. A modest tightening of rates was seen for Long Range tankers when the Suez Canal blockage happened in March, but rates soon decreased again into April and May when congestion cleared.

Alongside refining cuts and manufacturing taking a hit, international travel is still at a standstill as countries battle at different rates to vaccinate populations, meaning jet fuel consumption remains at an all time low.

Despite all this, cargo mile demand data is hinting at a slightly more positive recovery than seen in the Crude Tanker market. Demand has been supported by Covid recovery, especially in Asian manufacturing markets, and by the increasing use of gasoline and diesel, as many countries have resumed travel internally since easing lockdowns. When combining LR and MR cargo miles, we can see that so far this year there have been periods where cargo miles have sat higher than last year over the same period, especially since May..

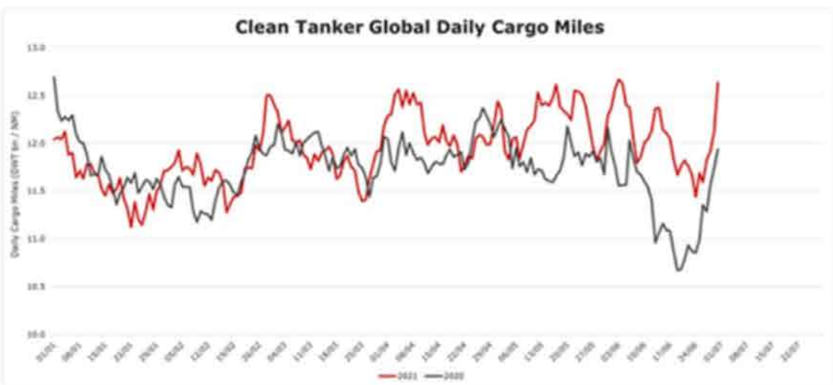


Figure 12: Clean Tanker Global Daily Cargo Miles. LR3, LR2, LR1, MR2, MR1.

When looking at both types individually, MR demand has grown at a faster pace than LR demand this year and in the past 3 months has at times exceeded cargo miles seen in 2019, pre pandemic. This is a good sign for MR demand. Figure 13 shows MR tanker global daily cargo miles since 2020.

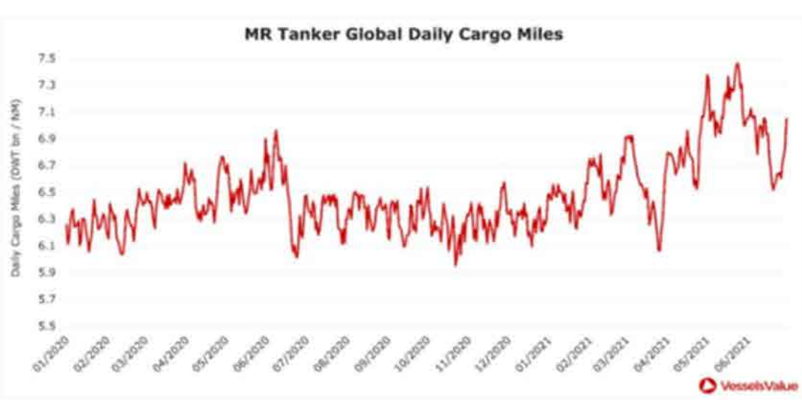


Figure 13: MR daily cargo miles, January 2020 – June 2021.

MR cargo mile growth over the past 6 months has been driven by economic recovery in the East and the resurgence of manufacturing, with this vessel type typically running shorter regional voyages. In the past 6 months, MR trade flows into South East Asia alone made up over 15% of total cargo volumes, followed by 8% into the East China Sea region. Figure 14 shows total cargo miles, journey counts and cargo volumes for MR vessels.

Top MR Routes in 2021

To	Vessels	Journeys	Cargo Miles (bn) MT-NM	Cargo Quantity MT	Distance (NM)
Total	**2,213**	**19,768**	**1,219.94**	**796,159,215**	**28,929,736**
South East Asia	808	3,026	150.678	121,120,074	3,652,935
East China Sea	449	1,646	76.243	66,494,015	1,826,029
North West Europe	536	1,649	108.869	62,708,965	2,721,667

VesselsValue

Figure 14: Top Global to regional trade flows for MRs, January 2020 – June 2021.

Despite these glimmers of hope and demand in Asia picking up, demand for oil products from the US and Europe are still lagging. Ongoing supply in the clean market is also holding up, which could lead to oversupply and further soften demand, so the clean tanker market is not out of the woods yet. Around 95 clean tankers were delivered last year, compared to 53 so far in the first half of 2021, so vessels deliveries are not showing signs of slowing down.

Consumers will likely continue to exert caution when it comes to resuming international leisure and business travel, meaning clean and Crude Tanker demand is unlikely to reach the same pre Covid level in the second half of this year. However, the success of vaccination programmes and economies seeing growth is a promising sign. Some improvement can also be seen in values and sale prices, suggesting that some are banking on a recovery soon, optimistically expecting rates to improve and demand to strengthen.

Conclusion

The first six months of 2021 are a clear indication of how demand for goods and availability of tonnage directly correlates with vessel earnings. The Bulker market has made a strong recovery in 2021 so far, as demand for Dry Bulk materials has recovered post Covid, resulting in strong rates. Trade flows have also shifted this year due to geopolitical tensions between Australia and China, lending to longer legs, heightened cargo miles and tightening vessel availability. The Container market has also been booming in the first two quarters, with pent up demand and a lack of available vessels leading to decade high rates. Both the Bulker and Container markets are expected to continue this winning streak into the second half of the year, as we enter peak seasons for both sectors.

The Tanker market, however, has experienced a less fruitful year, after the temporary success it felt in Q2 2020 came crashing down and is yet to improve. Tanker rates have been at all time lows as demand for crude and oil products is still reduced due to the impacts of the pandemic. Tanker demand is expected to lift as the world adjusts to Covid, with significant recovery in demand expected by the end of 2022, however, some market participants expect a recovery before then, as we see an optimistic firming in sale prices and values.

Marex Media

Singapore fuel oil stocks fall

Singapore residual fuel oil inventories fell 6% in the week ended July 28 as net imports plummeted to their lowest in more than three years, official data showed on Thursday.

The net imports were weighed down by a surge in Singapore fuel oil exports, which hit a nine-month high of 592,000 tonnes in the week ended, led by a jump in exports to China.

Onshore fuel oil stocks fell by 1.53 million barrels, or about 241,000 tonnes, to a three-week low of 22.9 million barrels, or 3.61 million tonnes, Enterprise Singapore data showed.

Singapore's net fuel oil imports plummeted 91% from the previous week to 93,000 tonnes, the lowest since June 2018 and well below the 2021 weekly average of 709,000 tonnes. Weekly figures, however, are volatile.

Compared with a year earlier, residual fuel stocks were 3% lower and below the 2021 weekly average of 23.28 million barrels.

The largest net imports were from Malaysia at 306,000 tonnes, followed by Brazil at 64,000 tonnes, Japan at 33,000 tonnes and Egypt at 26,000 tonnes.

The top net export destinations for Singapore fuel oil were China at 226,000 tonnes, the highest weekly volume since November 2018, followed by the Philippines at 65,000 tonnes and Hong Kong at 38,000 tonnes.

Fuel oil flows into east Asia, most of which come to Singapore, for July were assessed between 5.5 million tonnes and 6 million tonnes compared to June's 4.23 million tonnes, the latest assessments by Refinitiv Oil Research showed.

The July volumes, the highest since January 2019, were "led by surging demand for straight-run cargoes amid a pervasively high-price environment and weak cracks, in particular from China in the wake of a tax clamp-down on bitumen mixture imports," Refinitiv Oil Research said.

"Looking to August, we expect inflows to be lower on-month, with 1.03 million tonnes assessed for western arbitrage barrels to date, keeping market fundamentals tight."

Marex Media

China's shipbuilder secures contracts worth $1.58 billion

China's shipbuilder Yangzijiang Shipbuilding has secured contracts for up to 17 newbuildings from Seaspan Corporation worth $1.58 billion in total.

The shipyard received orders for 10 liquified natural gas (LNG) dual-fuel 7,000 TEU containerships and two 50,000 dwt MR tankers for a total contract value of $1.08 billion.

Furthermore, the company signed a letter of intent for another five units of dual-fuel 7,000 TEU containerships in July and is expected to turn effective in August 2021.

The dual-fuel containerships will be fitted with "Type B" LNG fuel tank, and Yangzijiang had participated in the design of the LNG fuel storage, supply system and LNG tanks as part of its research and development (R&D) efforts.

The dual-fuel containerships are slated for delivery between 2023 and 2024.

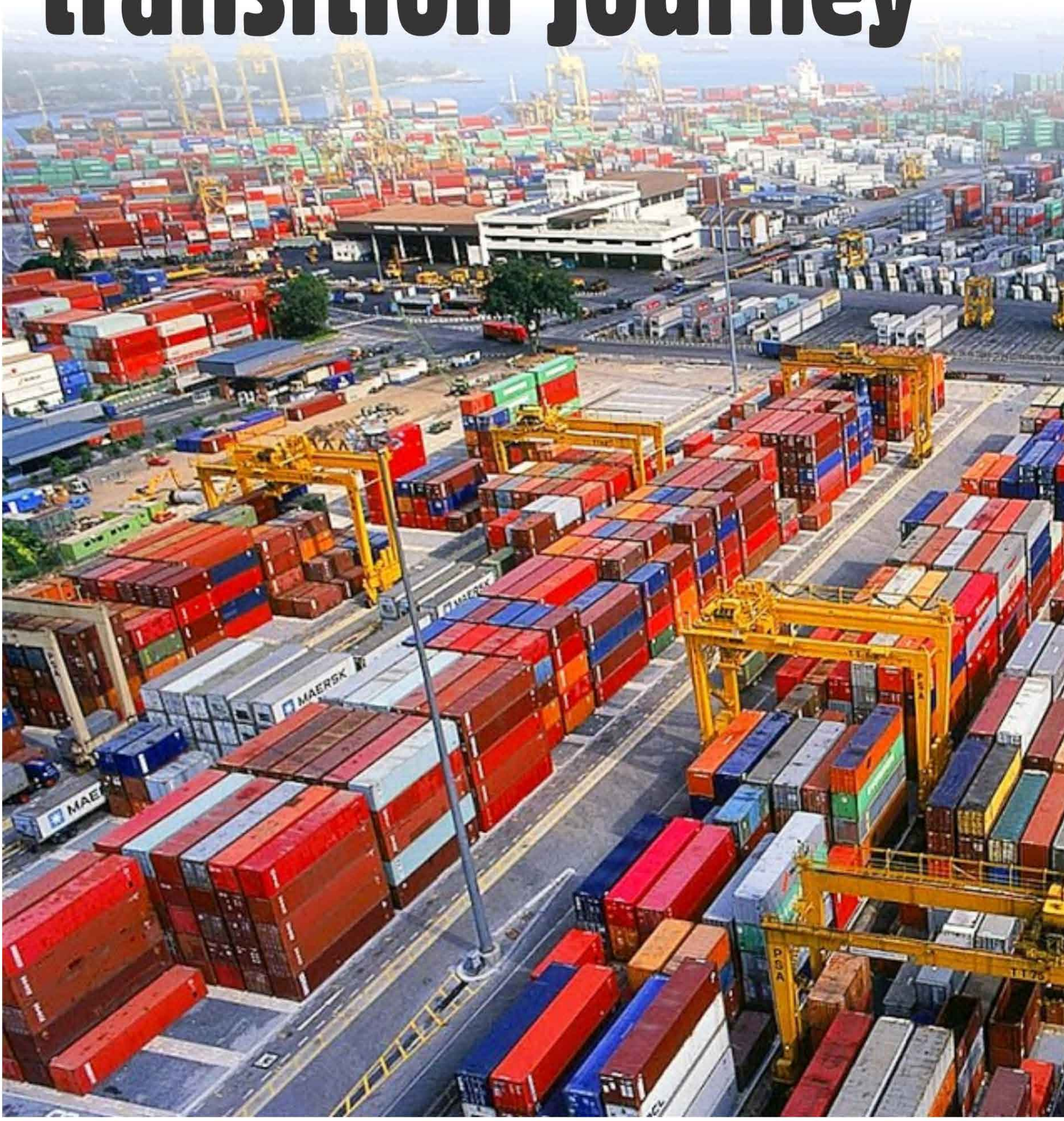
"These engines and vessels are in compliant with and even exceed the already underway regulations including Energy Efficiency Design Index (EEDI) "Phase 3" initiated by the IMO. As the shipping industry moves towards sustainable development and pivots to carbon-neutrality, we are confident that more shipowners will opt for such vessels to ensure functionality and relevance of new built vessels," Ren Letian, Executive Chairman and CEO of the Group, commented.

As of the announcement date, Yangzijiang's existing orderbook of $8.74 billion for 170 vessels remains a record-high, according to the company.

Last month Seaspan announced the order of ten 7,000 TEU, LNG dual-fuel containership newbuilds for charter to ZIM.

Marex Media

MPA launches GCMD to spearhead energy transition journey



The Maritime and Port Authority of Singapore (MPA) has announced the formation of the Global Centre for Maritime Decarbonisation (GCMD) in Singapore and its new leadership team.

The new centre is set up with a $120 million fund from MPA and six founding partners – BHP, BW Group, Eastern Pacific Shipping, Foundation Det Norske Veritas, Ocean Network Express and Sembcorp Marine.

The GCMD aims to collaborate with the industry to help the maritime sector reduce greenhouse gas (GHG) emissions, implement identified decarbonisation pathways and create new business opportunities.

As part of the GCMD's ongoing efforts to explore joint industry projects that advance the deployment of low- and zero-carbon maritime solutions, 31 organisations have expressed interest to collaborate with the GCMD.

The organisations include shipping companies, classification societies, research centres, traders, energy players, terminal and tank operators, engineering companies, financial institutions to industry associations.

“Decarbonisation is a global challenge, and our industry has to play its part. The challenge is too large for any one company to solve, so collaboration is essential. This centre will build on the positive steps taken by many maritime players around the world, and Singapore's position as a leading maritime centre, to help the industry transition to a low-carbon future,” Andreas Sohmen-Pao, Chairman, Governing Board of GCMD.

“Contributing 3% of global carbon emissions annually, shipping is one of the hardest-to-abate sectors. GCMD offers a huge opportunity to make significant inroads on the sector's decarbonisation agenda,” stated Lynn Loo, who will be appointed Chief Executive Officer.

She will be responsible for working with GCMD's Governing Board to develop and execute the overall strategy for the new centre.

Recently, Singapore has been ranked as the top global shipping centre for the eighth year running.

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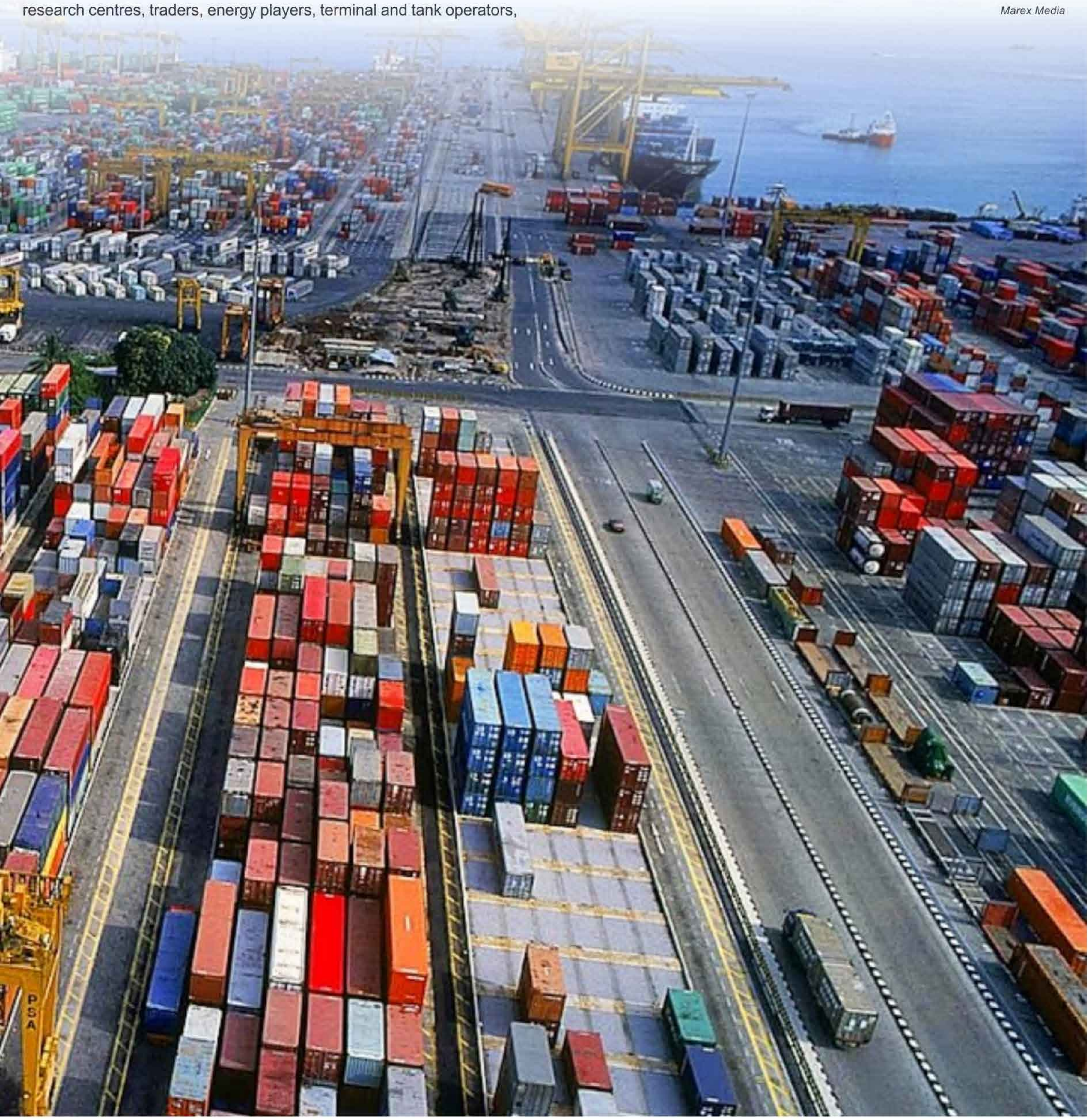

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	RPSCRB + RPST	5900	1000	4900
	RMFA	3900	2000	1900
	RMC	4900	2000	2900
Basic Modular	BST	14900	7000	7900
	OCTCO	4900	1000	3900
	STSDSD	3900	2000	1900
	PSSR	6900	2000	4900
Advanced Modular	SSO	4900	1000	3900
	PSCRB	9900	4000	5900
	AFF	9900	4000	5900
	MFA	6900	3000	3900
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