Korean Shipping messenger

A collection of articles and daily news for the shipping industry with focus on the Korean shipping and shipbuilding markets.

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Shipbuilding News

Sino-Korea sweep new orders

According to Clarkson Research Services, global new ship orders reached 12.18m cgt in the first half of 2010, more than tripling 3.77m cgt of new orders signed in the same period of last year.

Of them, almost 80% went to Chinese and South Korean shipyards.

Korean yards won new orders for 207 ships of 4.628m cgt in the first six months, compared to a meager 30 ships of 0.84m cgt signed a year earlier.

In cgt terms, Korea occupied 38% of the global new orders as traditional shipping powers like Greek and Norwegian shipowners signed many newbuildings in the country.

Chinese shipyards contracted 287 ships of 5.016m cgt, taking 41% of the global new orders in H1. China won the largest amount of new orders in cgt terms.

By contract value, however, Korean yards surpassed China, inking $9.117bn worth of orders during the first six months as the country's builders focus on high value-added vessels, while Chinese rivals signed $8.706bn in the same period.

Industry experts expect the uptick in new orders to continue in the latter half of the year as well, centering on offshore plants, containerships and tankers.

Bulker spree & oversupply fears

More than $6bn worth of new bulker orders were placed in Asian shipyards in May and June, stoking fears of a major oversupply of dry bulk vessels in 2011 and beyond.

Owners signed contracts for more than 74 bulk carriers totalling 5.8m dwt in June at a time when falling demand for bulkers saw spot rates in freefall and now half the levels seen in early May.

There were 93 bulk carriers of 8.6m dwt contracted in May, based on orders reported and verified by London shipbroker, Clarksons. A handful of crude tankers were ordered, but the pace accelerated in June with at least 16 suezmax newbuildings confirmed.

“Many people including Greek owners prefer to have their assets in ships than cash in the banks, they regard it as safer, irrespective of future market trends and future market forecasts,” said G Moundreasnewbuilding consultant George Banos.

The orders came as prices for newbuildings showed signs of rising after reaching what many owners believed to be the lowest levels seen since 2002 and 2003, and at a 40% discount to the same ships ordered at the height of the market several years ago.

“From our point of view it was just that the price made sense at this point because the market is at a good stage,” said a spokesperson from Greece-based Common Progress, which ordered two supramaxes and an option for a further two at Cosco’s Dalian yard during June.

“We also feel that there will be a possible rise in (newbuilding) prices due to the rise in commodities in China and the currency reevaulation.”

Steel plate prices have risen by $40-$50 per tonne over the last quarter, from existing levels of around $750, according to Mr Banos, adding additional costs for ship construction. The appreciation of South Korean and Chinese currency against the US dollar would also make ships more expensive to build, he said.

But with the bulk carrier orderbook at more than 3,300 and at 60% of the existing fleet, and nearly 200 panamaxes being delivered in the next six months, concern is rising that new ships could outstrip rising volumes of seaborne dry commodities, forecast to reach 3.2bn tons this year.

“If I were a shipowner, I would not go out and order a dry bulk vessel now unless I were absolutely certain there would be some demand for it,” Harry Theochari, partner, with London-based Norton Rose said.

Big 4 new orders surge

Korean 'Big 4' shipbuilders have won more-than-expected new orders in the first half of the year through diversified sales strategies.

Hyundai Heavy Industries contracted $7bn worth of new orders in the period for 47 ships and four offshore and industrial plants including orders inked at Hyundai Samho Heavy Industries.

Bulkers dominated HHI's fresh orders including 25 kamsarmax orders. Offshore and industrial plant orders totaled $4.5bn including $1.1bn cylindrical FPSO.

Samsung Heavy Industries secured $3.3bn worth of orders in the first six months including 28 ships and one LNG-FPSO. It also made a good start to the second half by signing 10 8,000-teu containerships and nine tankers, boosting its new order volume to 50 ships worth $5.1bn so far this year, which is 63% of its annual order target of $8bn.

Daewoo Shipbuilding & Marine Engineering inked $3.2bn worth of fresh orders in H1 for 29 ships and three offshore plants. It is forecast to win near $4bn orders sooner or later including $1.5bn FPSO for Sonangol.

STX Offshore & Shipbuilding contracted 33 ships worth $1.28bn in the first half centering on bulk carriers, while STX Europe penned $1.55bn worth of nine-ship orders including one 140,000-gt cruiseship and eight platform supply vessels, particularly excelling in specialized vessels.

Maersk, HHI & DNV collaborate on CO2

Maersk Tankers, Hyundai Heavy Industries (HHI) and Det Norske Veritas (DNV) have agreed to collaborate on the design and risk assessment of tankers for shipping CO2.

Maersk Tankers is already in a partnership with Maersk Oil and Finnish utilities Fortum and Teollisuuden Voima (TVO), aimed at developing a joint carbon emissions abatement project in the area of Carbon Capture and Storage (CCS).

“Shipping CO2 in tanker vessels is a cost effective and flexible way to get CO2 from power plants to offshore storage sites, which makes it a suitable solution for large CO2 emission sources such as coal-fired power plants, especially in the emerging phase of CCS.” says Anders Schulze, Head of CO2 Shipping in Maersk Tankers.

Maersk Tankers and HHI already have the initial blueprints to build tanker vessels for the transport of CO2 from emission sources to storage sites. The vessels will be semi-pressurised and semi-refrigerated, keeping the CO2 liquid. HHI has designed the vessels together with Maersk Tankers, based on years of experience with transportation of liquefied petrochemicals and natural gas, and in accordance with global standards.

“The further development of the CO2 carrier design shall mainly focus on the safety and the Green ship requirements while emphasising the high energy efficiency of the vessel. HHI’s technical cooperation with Maersk Tankers and DNV explains well HHI’s policy of constant pursuit of new technology and also its dedication to finding solutions to the environmental issues in the shipbuilding segment.” says Mr. Jae Keun Ha, Senior Vice President of HHI.

DNV will provide feasibility studies, risk identification in addition to general support for compliance with applicable class Rules and the current Gas Carrier Code as well as its latest developments specifying CO2 in more detail. These tasks will also include evaluations and support to ensure that the vessel is fit for purpose and fits well into the specific CCS chain.

“The overall technical features of these CO2 carriers have similarities with LPG carriers and offshore shuttle tankers. Many of the applicable safety standards to be applied are therefore basically well known. Studies will, however, have to be carried out to ensure that all features and specialities have been adequately addressed and that the vessels’ interface with the rest of the CCS chain is in harmony with the intentions.” says Jan Koren, DNV’s Segment Director Tankers.

China listens to midsize shipyards

‘We did provide loan to foreign shipowners but it doesn’t mean Chinese shipbuilders and ship finance institutes are hijacked by them. We just hope Chinese shipbuilding industry will pass tough time in this way,’ said a representative of China Association of the National Shipbuilding Industry (CANSI).

As is reported earlier, some of foreign shipowners gained loans from Chinese shipyards successfully by threat of order cancellation. It was clearly not agreed by the representative.

He said Chinese shipbuilding industry was experiencing restructuring and upgrading after frustration in financial crisis.

General Manager Xiao Jun of Wuhu Xinlian Shipbuilding said they have entered post-crisis period with orderbook extended to 2013. Currently they focused on high added value ships like chemical tanker, PCTC and heavy lift ship. Wuhu Xinlian Shipbuilding is ambitious to become the “top shipyard among medium sized Chinese shipbuilders”.

Experiencing high speed growth in a decade, numerous top shipbuilders came out in China, such as SWS, DNS, Jinhai and Rongsheng. However, it is the medium sized shipyard group that can reflect a country’s comprehensive shipbuilding capacity. Now all are changing.

Wang Chunning, who is ship finance supervisor of China Minsheng bank, said many weak enterprises had to quit during financial crisis while Minsheng bank found the opportunity.

In fact, Minsheng’s customer group mostly focused on Chinese top class shipyard in the past, such as New Century, Yangzijiang, Rongsheng and Sinopacific. However, Minsheng began to cooperate with domestic reputable Chinese private shipyards and shipowners since 2009.

Obviously China is listening to the voice from medium sized shipyards.

Shipping & Business News

BDI on worst run

The Baltic Exchange's main sea freight index fell to its lowest level in more than a year on Tuesday, hit by a slowdown in freight activity.

The index, which gauges the cost of shipping commodities including iron ore, cement, grain, coal and fertiliser, fell 4.02 percent, or 89 points, to 2,127 points in its 29th consecutive decline to remain at its lowest since May 6 last year.

"Recent falls in the Baltic dry index, in combination with signs of weakening hard commodity demand in China and softening global survey data, point to a slowing down in the global recovery," Lombard Street Research economist Melissa Kidd said.

The index has had its worst run since October 2008 and is down nearly 38 percent since the start of the year, falling over 22 percent in the past month.

A combination of slower iron ore activity, weaker coal imports into China and the fading of South America's grains export season have put pressure on freight rates.

Where is boxship?

Having been hit by financial crisis, container lines had to cut down shipping routes. As a result, the idled boxship group came out.

On the other hand, the old ships entered demolition yards in advance. According to statistics, about 370,000TEU container shipping capacity was demolished last year while the amount of idled boxships was increasing in anchorage. By the end of last year, the idled boxships had reached 1.51m TEU, namely 11.6% of the total.

In the second half of last year, the oil price increased. However, many shipowners adopted 'low speed' sailing to release more idled ships. It may reduce operation cost but longer sailing schedule. So, more ships would be needed in the route.

Generally speaking, nobody is willing to put one more ship in the same shipping route because that means a huge cost added. In spite of that, it is not strange when the anchorage becomes crowded of idled ships.

From January to May, the 'low speed' sailing has re-trigger about 554,000TEU shipping capacity. More idled ships will be activated in the second half of this year. But not all ships are suitable for 'low speed' sailing, especially for short routes.

Vinashin boss facing punishment

Vietnam Shipbuilding Industry Group, chairman Pham Thanh Binh, is facing punishment from the government for bringing the state-owned company to the brink of bankruptcy.

From being a major success story breaking into international shipbuilding, Vinashin's rapid expansion and resulting shaky financial state has led to strong criticism from the ruling Vietnamese Communist Party.

The Communist Party's central committee's commission of inspection concluded that his wrongdoings called for disciplinary actions as he had been irresponsible in the mobilisation, management and use of the state capital, pushing Vinshin to the brink of bankruptcy, local press reported.

It decided to start the process of criticizing and punishing towards Binh. At the same time, the commission asked the government to inquire into the responsibility of related ministries and agencies for Vinashin's violations. Vinashin has debts of at least 80trn dong ($4.3bn)

China needs 100 VLCC's

A conservative estimation showed that China's annual demand for crude oil import would reach 400m tons during 2015 to 2020 in case of 6% GDP growth on average per year.

As a result, about 320m tons of crude oil will need to be transported by Chinese tanker fleet per year. That means at least 100 VLCCs are essential then.

Analysts thought that global oil demand was recovering this year with an estimated increase of 1.65% against last year, especially in Asian area. So, China's shipping volume of VLCC will surge accordingly as well.

Moreover, the single hull tankers will quit imperatively this year, which may relief the overcapacity of global oil shipping capacity.

Therefore, shipowners confidently show optimism on oil shipping market, which triggers ambitions of VLCC fleet expansion.

According to statistics, currently the amount of Chinese-owned VLCCs comes up to 50 units with 100m tons crude oil shipping capacity annually, including those in operations and under construction.

In coming years, China's demand for VLCC will keep climbing. It is considered as an opportunity to order or purchase oil tanker at the end of this year.

Maersk Ups Forecast As Shipping Industry Recovers

In the latest sign of revival in the container-shipping industry, A.P. Moller-Maersk A/S (MAERSK-B.KO), the world's largest container-shipping company, raised its full-year earnings forecast Thursday, saying it now expects to make a bigger profit than it did two years ago, but it cautioned its guidance still was subject to considerable uncertainty.

"The improvement of especially the container business has since (the last forecast March 4) been greater than envisaged and the company now expects that the profit for 2010 will exceed the ($3.5 billion) profit for 2008, provided that freight rates, oil prices and the USD exchange rate remain stable at current levels," Copenhagen-based Maersk said.

A.P. Moller-Maersk reported a full-year net loss in 2009 of $1.31 billion.

Maersk shares opened sharply higher on the news before falling back. At 0840 GMT, the shares traded up DKK1,920, or 3.8%, at DKK53,020, outperforming a 0.8% gain on the OMXC20 Copenhagen index.

Maersk said the revision from March--when it had forecast only "a modest profit"--includes an accounting gain from the sale of shares in the Yantian terminal in China, but excludes a possible gain from the sale of Netto Foodstores because that deal still is subject to approval from U.K. competition authorities.

The improved outlook comes just two days after Germany's TUI AG's (TUI1.XE) raised its guidance for its container-shipping operations, citing a recovery in global container shipping.

TUI, a holding company with assets in tourism and shipping, owns 43.3% in container-shipping company Hapag-Lloyd AG (GD-HPL). Albert Ballin GmbH & Co. KG owns the remaining 56.7%.

"Transport volumes and in particular freight rates have continually improved over recent months and are considerably up year-on-year," TUI said in a statement Tuesday.

Last week Taiwan's Evergreen Group said it had placed an order for 10 ships capable of carrying 8,000 twenty-foot equivalent units, its first order for new vessels since 2003.

The order from the parent of Taiwan's largest container shipper by revenue, Evergreen Marine Corp. (2603.TW), is another indication the container-shipping industry is recovering. Rebounding global demand and aggressive measures to reduce supply in the industry, including slow-steaming and idling of ships, have helped container lines hike freight rates and recover some of the losses they have incurred since late 2008.

"The turnaround in the container shipping industry has been significant; you can see that by the lack of spare equipment (such as containers) to transport goods," said Henrik Bruenniche Lund at Carnegie in Copenhagen, which rates A.P Moller-Maersk stock at outperform with a DKK62,000 target price. "Liners are in a very good position."

Copenhagen-based Jyske Bank, which has an accumulate rating on the stock, said the upgrade was significant, although it cautioned that foreign-exchange transactions could limit the increase.

"As Maersk has probably hedged some of the USD net inflow at levels that are lower than currently, this will not have a positive impact on the result (in Danish kroner) until 2011," the bank said.

Still, Maersk's statement signalled improving confidence. "Maersk has previously been very cautious with respect to its announcement for 2010 and just mentioned the expression 'a positive result.' Compared with the present anticipations the upgrade is very significant."

Maersk reports its half-year earnings on Aug. 18.

Shipping company, captain to stand trial over oil spill

Swire Navigation, a shipping unit of John Swire & Sons, and a cargo ship captain are to stand trial in the Brisbane District Court over an oil spill last year that blackened beaches in south-east Queensland.

The captain, Bernardino Gonzales Santos, was charged with disposing oil in coastal water and of not reporting a spill after containers aboard the Pacific Adventurer fell overboard during a storm on March 11 last year and pierced the ship's hull. About 200,000 litres of oil spilled.

"All defendants and Captain Santos entered non-guilty pleas and intend to vigorously defend the charges," a spokeswoman for the company, Camilla Myers, said in an email yesterday.

Swire Navigation agreed in June last year to pay $25 million, in addition to $2 million it spent on the clean-up, into a trust to compensate those affected by the spill. The amount compared with the $17.5 million maximum "legal obligation" the company said at the time.

John Swire, based in London, also controls the Hong Kong property company Swire Pacific and Cathay Pacific Airways.

Swire Navigation expressed "deep regret" over the accident, the company said in a statement yesterday, citing its chairman, Richard Kendall, who made the comments before the hearing to determine if the defendants would stand trial.

"We hope we demonstrated that in our support of the clean-up operation at the time, and our subsequent compensation agreement with both state and federal governments," Mr Kendall said.

"We are proud of the way Captain Santos handled the incident."