Splash EXTRA

"Digital is the most overused word in shipping today"

— *Frank Coles*

Has aviation got off lightly over emissions? 8

Hydrogen breakthrough could see ships powered by seawater

Researchers at Stanford have successfully created fuel using water from San Francisco Bay

Scientists at Stanford University in California have successfully created hydrogen fuel using solar power, electrodes and saltwater in a breakthrough that could have enormous ramifications for shipping as the industry seeks ways to decarbonise.

The findings, published in *Proceedings of the National Academy of Sciences*, demonstrate a new way of separating hydrogen and oxygen gas from seawater via electricity. Existing water-splitting methods rely on highly purified water, which is a precious, expensive resource and unrealistic to store on a ship.

Hongjie Dai, professor in chemistry at Stanford's School of Humanities and Sciences and co-senior author on the paper, said his lab showed proof-of-concept with a demonstration, but the researchers will leave it up to manufacturers to scale and mass produce the design.

Speaking with *Splash Extra*, Dai said the invention could be adapted for international shipping.

"I think it has great potential to make H2 on deepsea ships to power the ships by fuel cells, driven by solar electricity. The fresh water generated by fuel cells could also be utilised as a water supply. It would be completely emission free," Dai said.

Splitting water into hydrogen and oxygen with electricity –electrolysis – is nothing new. Finding a solution to ensure seawater does not corrode anodes is the breakthrough in this Stanford research.

The scientists discovered that if they coated the anode with layers that were rich in negative charges, the layers repelled chloride and slowed down the decay of the underlying metal.

The team were able to conduct up to 10 times more electricity through their multi-layer device, which helps it generate hydrogen from seawater at a faster rate. The device matched current technologies that use purified water.

Commenting on the invention, Greg Atkinson, chief technology officer at Japan's Eco Marine Power, told *Splash Extra*: "If seawater can be used to produce hydrogen onboard ships then that will lead to the biggest change in ship propulsion since the move from sails to engines."

Another interesting option put forward by Atkinson would be to add seawater to fuel cells to generate electricity as is the case with the MgBOX from Furukawa Battery. At the moment this a small scale device, but again the potential to use seawater effectively as a fuel would be a "revolutionary leap ahead" for shipping, Atkinson said.

Di Gilpin, founder of the Smart Green Shipping Alliance, said the seawater development was an important step towards shipping becoming "propulsion autonomous", decoupled from bunker networks and all the supply/cost uncertainties that involves, with more seadays and better asset utilisation.

However, Gilpin questioned how long it might take for such a device to become a sole form of ship propulsion.

"Technically I'd say it's a bit of way off being installed on ships with lots of testing to be gone through," she said, adding that her alliance has plans to have hybrid ships with wind and onboard hydrogen trading by 2030.

Casting doubt on the new invention's potential for deepsea shipping was Dr Tristan Smith from UCL Energy Institute at University College London who warned the cost of the renewable electricity that goes into the device could be prohibitive, although he conceded it could serve more niche applications of hydrogen production for the sector. ●

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Peak maritime week

We'll be printing and taking this particular issue of *Splash Extra* to Southeast Asia for next month's Singapore Maritime Week where, by my last count, there will be more than 50 shipping events going on during a packed few days. However, I can sense we have mercifully hit peak maritime week.

Singapore was the architect for these shipping event clusters, something that has since been copied the world over. My inbox is rammed with invites to attend shipping weeks in exotic locations like the Bahamas, Portugal and Cyprus. Frankly there are not enough weeks in the year for them all.

"Imitation is the best form of flattery," Esben Poulsson, the head of the Singapore Shipping Association, told me at the 10th Singapore Maritime Week four years ago on the sudden rise of all these other shipping weeks.

Said imitation has now led to irritation – there are just too many of these get-to-gethers, and the knock-on effect has been a drop in quality.

Even this year's Singapore gathering has lost a lot of its shine and star quality.

I had a worried PR type on the phone the other day begging me to attend one of her press conferences next month in the Lion Republic. She was anxious as so few international journalists had signed up for Singapore this year as the fire power – the star speakers on show – were honestly underwhelming, even at the anchor event for the week, Sea Asia.

> *"Imitation has now led to irritation. There are just too many of these get-togethers"*

The rise and fall of the international shipping week is also symptomatic, I think, of the merciful decline in maritime events as a whole. People are in touch with each other online daily, there's less and less need for so many talking shops at identikit hotel conference halls around the globe. Yes, there'll always be a place for the biggest shows in the calendar, the Posidonias and SMMs of our world, but beyond that today's busy shipping executive is increasingly shunning the myriad of identical events. And that's not even scratching the surface of the shipping awards pushback I've noted of late! ●

Andreas Sohmen-Pao's **BW Group** moved to buy out out fellow Singapore owner **Epic Gas** in a deal worth $110m. BW has taken 54.7% of the shares of Epic, a company founded by Chris Buttery after he sold Hong Kong bulker concern Pacific Basin. Today Epic controls a fleet of 39 small pressurised LPG vessels. BW has made an unconditional tender offer to acquire the remaining shares in Epic.

Søren Skou, the CEO of **AP Moller-Maersk**, used a high profile speaking slot at a conference in California to tell his peers that the world's largest liner had no intention of building larger ships. Skou said investments going forward would be elsewhere rather than on so-called megamaxes, a ship type he likened to Airbus's A380 aircraft, which has proven to not be a commercial success.

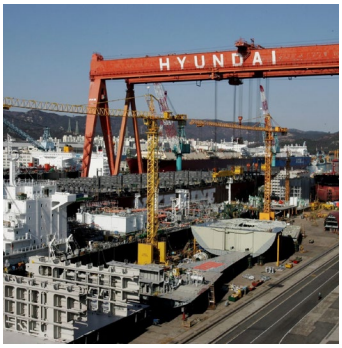
A **Cosco** ship design subsidiary completed designs for a record-breaking 25,000 teu ship.

Shanghai Ship and Shipping Research Institute (SSSRI), a unit of Cosco Shipping, has got the design approved by CSSC No.708 Institute, part of the nation's largest shipbuilding group. An official at SSSRI said no newbuilding orders have been planned yet.

Kawasaki Kisen Kaisha (K Line) was forced to make changes to its financial forecasts again, warning that its net loss for the financial year ending on March 31 will be five times worse than originally forecast, set to hit Y100bn ($895m). On the back of the drastically revised forecast, under pressure top management at the line revealed structural reforms will take place at Japan's third largest shipping line.

Ness Risan and Partners, a Norwegian investment fund, teamed with the former owners of Finland's Containerships Group to buy shipmanager **Hammonia Reederei** from German shipping stalwarts Ernst Russ and Peter Döhle. No price was revealed for the transaction.

On March 8 South Korean shipbuilding major **Hyundai Heavy Industries** (HHI) signed an official contract with Korea Development Bank (KDB) for the takeover of **Daewoo Shipbuilding & Marine Engineering** (DSME) creating a behemoth unparalleled in shipbuilding history. The combination of the two shipbuilders will create the largest shipbuilding conglomerate in the world, controlling over 20% of the world's orderbook.



Oil majors finally started to reveal their intentions in terms of offering low sulphur fuel. **BP, Sinopec, Shell and ExxonMobil** have all made headlines in the past month for revealing details of where and when they will start issuing compliant fuel from ahead of the global sulphur cap at the start of next year.

Muddy outlook for independent cape owners

Vale's woes are being felt across the whole of dry bulk

Not a day goes by without news from Brazil on Vale's iron ore operations. Suspensions, closures, court appeals, stress conditions testing, re-openings of mines and/or terminals. Most of it is bad news for the capesize sector.

And it may get worse before it stabilises. Data from VesselsValue shows that no valemax was loaded in three of the past four weeks (mid-February to mid-March) to carry iron ore from Brazil to China. In March only one in each of the first two weeks was loaded, heading for Malaysia.

Assuming valemaxes and other ships on lifelong time charters or consecutive voyage charters will be deployed first, the independent capesize/VLOC owners may have to wait for a few months to pick up their next iron ore cargo in Brazil.

At the end of the day, it's demand that matters the most, and the higher iron ore prices are not helpful to shipping demand, as Chinese steel mills are likely to opt for using more scrap steel as their steel making ingredient. Most focus currently is on the lost ton-miles, but in many ways that's only short term relevant.

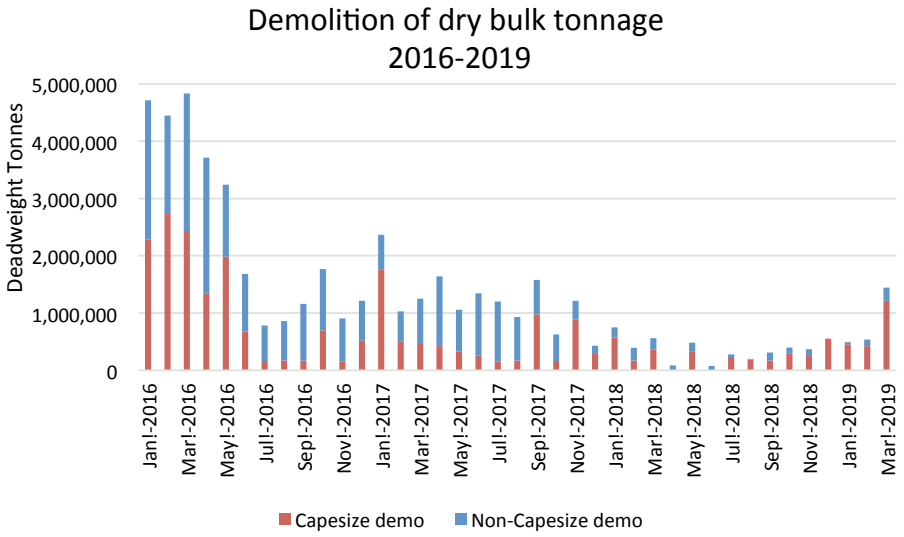
As the Baltic Dry Index ended being a proxy for the overall dry bulk market when the Singapore Exchange turned it into a full-blown financial derivatives monster, we should only pay attention to the earnings of the individual sectors – including the handysize sector.

Panamaxes, supramaxes and handysizes all started to regain some of their lost ground after the first week of February had passed. The capesize sector waited until the first week of March to start its long way back up. All sectors are losing money now. Capesizes are still only at $5,300 a day as of March 20.

Put your money down on some dubious investment bank to launch a "Strong Buy" recommendation on the sector once capesize freight rates reach $10,000 a day. The headline could be along the lines of 'Freight rates up by 100%, double down on FFA' while failing to mention you need at least another $5,000 a day to reach profitability.

Some 2.5m dwt has been beached for demolition in the first 2.5 months of 2019. More than what was demolished in 2018, less than in 2017 – and nowhere near the levels of 2016 that had 9.2m dwt scrapped in the first two months alone. What does it tell us? Owners hate to let go of ships. Secondly, there is no large pool of obsolete ships that no charterer wants to touch. Thirdly, the older skins may be the ones making money in the doldrums, money which is much needed to pay the finance costs on the newer ships in the fleet.

But there is surely a gap to be bridged here. Even if we assume the most optimistic demand growth scenario, fleet growth is set to grow faster than that. In order to avoid fleet utilisation going south yet again, large owners with the big fleets need to show the way. It will not be the mom and pop shipowner shops who will take care of that. ●



Mind the cap

Tanker owners should be wary of all the hype surrounding IMO 2020

The year 2020 will be adrenaline-charged for oil tanker owners, operators and charterers, not to mention refineries, manipulating market speculators and credit-rich bunker suppliers. Hopefully, this will be because they will all benefit from the sulphur cap – one way or another. But most of all, because none of them know for sure how exactly the IMO regulation will ultimately impact them.

While it's easy to build cases for massive oil demand growth in the coming months, it's worth keeping in mind the old adage that when something is too good to be true it probably is.

Product tanker owners appear the most upbeat about prospects surrounding the IMO 2020 sulphur regulation. Yet they are already struggling with very low freight rates again as the short spike in December was not quite enough to fill up their treasure chests, chests that are already experiencing the tide going out, despite sale and leaseback arrangements done to free up vital cash during 2018.

Whereas all product tankers in the spot market are fixing below profit, VLCC and aframax crude carriers are still profitable. Naturally, this has enticed a few product tanker owners to sell their ships for scrapping, while only a few old crude carriers have been torched.

It's rare and reassuring to see owners reacting correctly to market conditions,

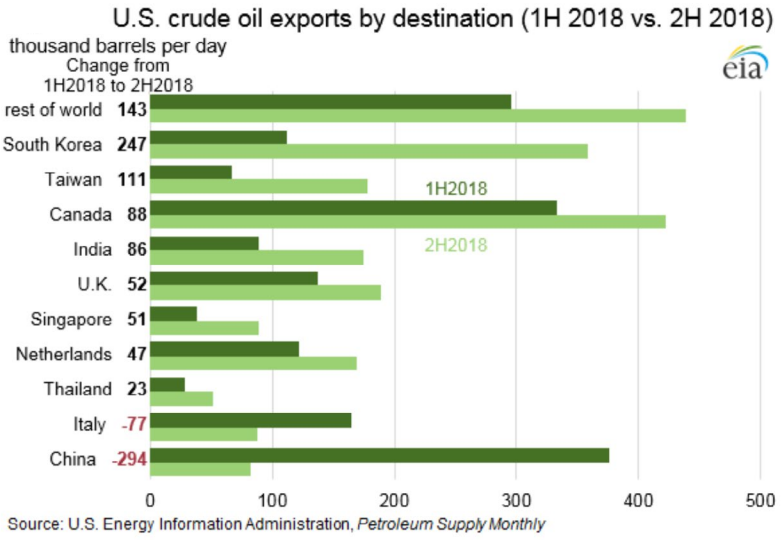
> *"US crude exports reached 42 different nations last year"*

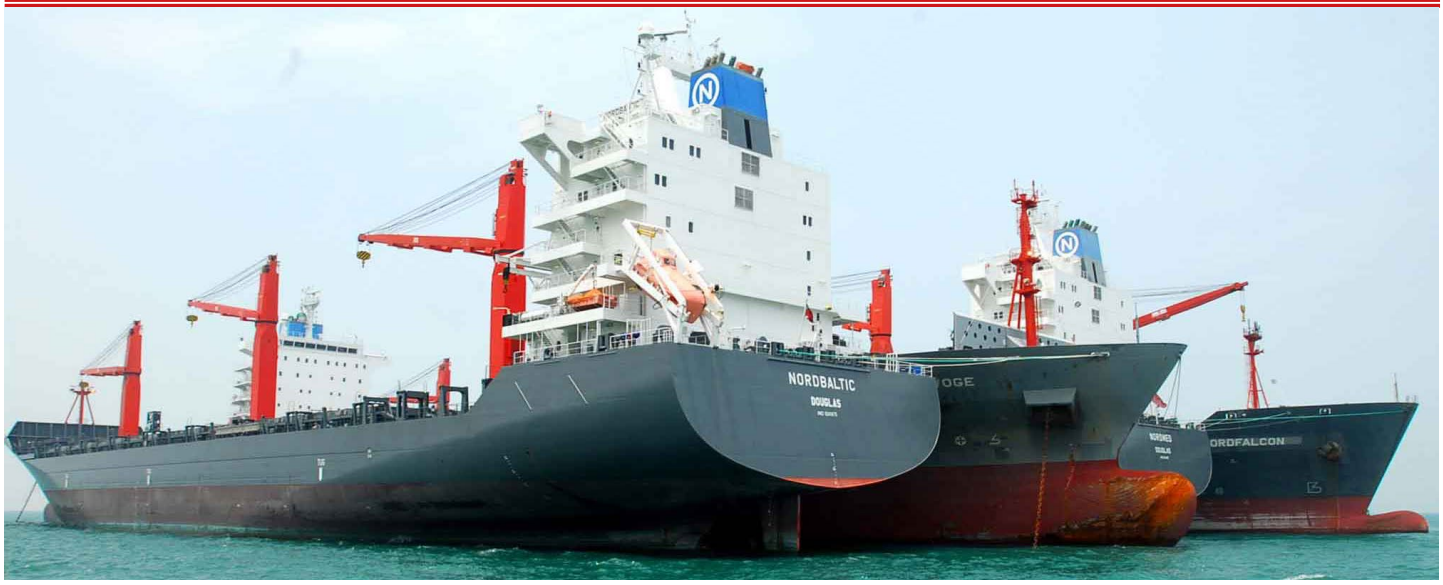
especially as it's the total opposite in the oil markets, which seem to operate in a state of emergency more often than ever during the past six months.

You really need a solid amount of luck to call the market right under current circumstances, especially with much of the mainstream media painting false stories about what's happening with oil production in countries such as Venezuela and Iran.

It's no wonder outsiders to the industry have difficulties getting to grips with tankers as they only hear upside-biased stories and yet they can only see poor earnings – even for crude oil tanker companies during the final quarter of last year.

The one real uncontested bonus for tanker owners that we can all agree on is US oil exports. Repealing the US crude oil export ban in December 2015 was one of the tanker industry's greatest ever blessings. Crude oil has been the slowest growing amongst all major seaborne commodities for decades. But the booming US exports, reaching 42 different nations in 2018, has made it roar back. ●





Layups inevitable

The first few weeks of the Year of the Pig suggest liner executives have some tough decisions to make

As we approach the end of March, negotiations to break the trade war deadlock and ease tensions seem to be fading, which is clearly not good news for the mighty transpacific eastbound container shipping trade lane.

This coincides with news about US exports to China declining significantly during the early stages of 2019, as measured by outbound loaded boxes from the ports of Los Angeles and Long Beach. And it comes on the back of a record Chinese trade surplus with the US standing at $323bn for the full year 2018. The value of exports rose by 11.3% while the value of imports grew by only 0.7%.

Worryingly, the troubles for container shipping do not end there. Worldwide exports of goods (including non-containerised) just keeps on falling, for a sixth straight month in February. This brings back horrific memories of 2016, where worldwide exports were equally low, and where only a monstrous exodus of containerships from active service saved the industry from bloody profit and loss statements.

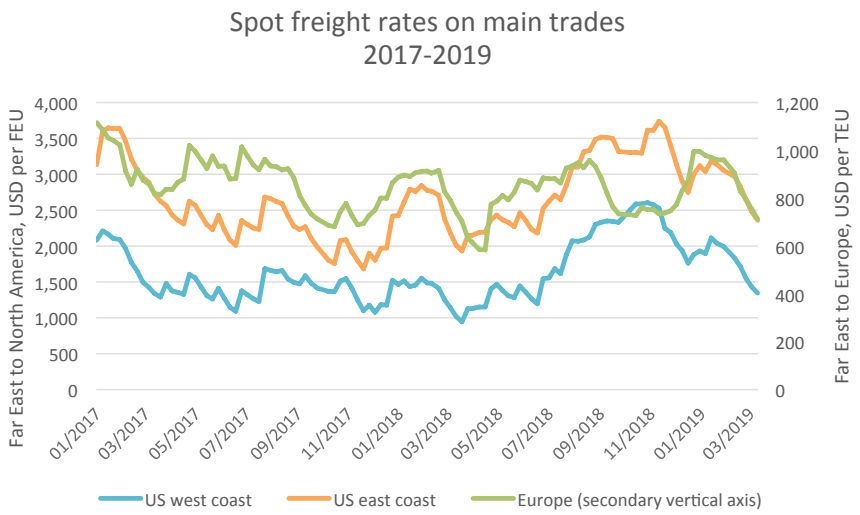
The fight over IMO 2020 fuel surcharges is now heating up. The largest American shippers headed by Walmart appear unimpressed with the myriad of different Bunker Adjustment Factors (BAFs) that carriers have shown them as transpacific negotiations get underway. Liners have been trying – with little success - to convince their biggest customers it will be straightforward to slip BAFs into the next batch of long-term agreements.

Put simply, what's all the fuss about, when the BAF, after all, is negotiable too? Perhaps because it's only openly negotiable in the spot market, where Freight All Kinds (FAK) gets booked at an all-inclusive freight rate. For the contract volumes liners need to take the fight up front to secure some fuel cost coverage.

An emerging trend this year has been the spread of megamaxes to pastures new as their original destination – Asia to North Europe – has become too crowded with giant boxships. The necessary, temporary (and promotional) cascading of the 19,462 teu MSC Eloane to the transpacific all but proves that the Far East to Europe trade is about to get clogged up by too many ultra large container vessels. Currently the average ship size on the Far East to North Europe tradelane is 15,700 teu according to Alphaliner. Ships of 20,000 teu class are now about to start on regular Asia – Middle East routes to try and soak up all the megamax capacity, which has seen rates take a hit on most tradelanes of late.

Not until we have volume data for this month, can we truly assess the level of demand that caused freight rates to drop as they have done in February and March. Freight rates were strong up until Chinese New Year, after which they began their ongoing decline on all long-haul trades.

Interestingly, there is one ship segment that is enjoying quite a renaissance while all others struggle – the much-maligned classic panamax. Ships in the 4,000 to 8,500 teu size range have not been a popular order at shipyards since 2014. Many classic panamaxes were also scrapped around three years ago. This helps to explain why ships in this range currently enjoy increasing charter rates in an otherwise lousy charter market.●



Lack of direction mutes deals in Q1

Buying volumes are similar to 2016, the year dry bulk hit rock bottom

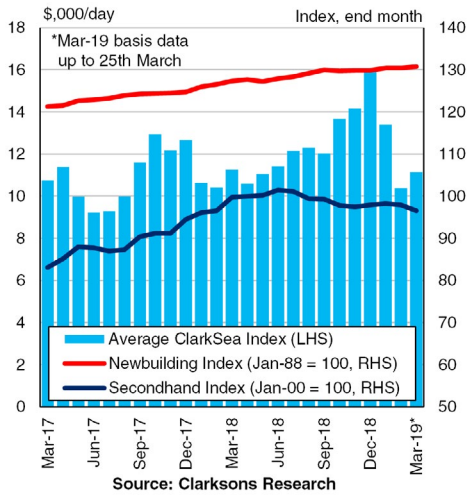
As Q1 comes to a close it's becoming clear that spooked owners are holding back from acquisitions given the extraordinarily unclear markets picture. Confirmed S&P deals in the first quarter are down massively over the previous two years, back to 2016 levels, dry bulk's annus horribilis .

From a fresh capital perspective it's even more anemic making matters even more quiet.

Many a broker will swear blind that ship valuations have nothing to do with earnings and the current impasse in the S&P scene lends credit to that assumption. How to explain how secondhand panamax bulkers have lost value this year, while the far worse performing capes have actually edged up in price?

This very hard to read market, with no one really knowing the direction the markets are heading, has clamped the volume of ship sales.

"Sale and purchase activity remains on the lower end of normal so far in March. Month to date levels are close to those seen in 2016 in terms of total value changing hands. This matches the trend we saw in February. Container sales remain sparse and well below expected levels, while bulker sales are closer to normal," commented Court Smith, an analyst at VesselsValue.



Sales registers are chalking up deals done for older tonnage heading to China and the Middle East. There is still life in the market, with plenty of vessel inspections under way, albeit less so on the larger units. *Splash Extra* also this week hears some murmurs of older capes starting to see offers again after a torrid start to the year. Remarkably there has not been a single cape sold in the first quarter of the year.

The latest weekly report from brokers Allied suggests bulkers owners are most interested in panamaxes and supramaxes at the moment, while MRs led the charge in a still subdued tanker buying market. Nevertheless, Allied and others note that bigger size tanker segments are showing sparks of life, with buying appetite seemingly on the rise.

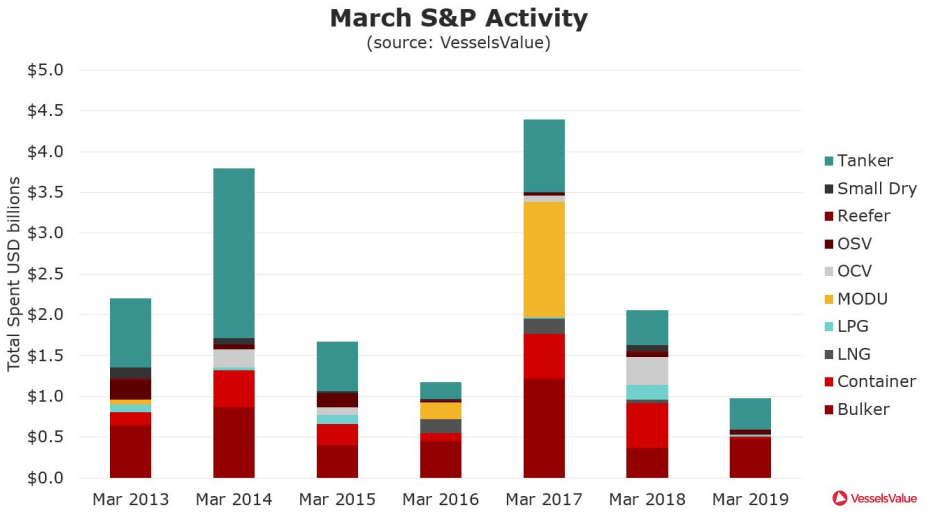
"All-in-all, a healthy volume of transactions can be anticipated the upcoming weeks, nourished by the better state of earnings now slowly being noted," Allied commented on tanker prospects.

Notable recent deals include the sale of the 2018-built 62,400 dwt ultramax Adventure II. Norwegian owner Oslo Bulk is believed to have sold the Japanese-built vessel to Bangladeshi owner Meghna Group for a price of $25.5m. Older units are increasingly in the shop window such as the 2001-built 74,000 dwt panamax bulker Navios Galaxy I, which Greek owner Navios Maritime has just sold to Chinese interests for a price of $6.1m.

Angeliki Frangou's Navios has had a busy month. On the tanker front, Navios sold its 2000-built VLCC tanker C. Dream for $20m to acquisitive Thai owner Nathalin. Last month, Nathalin also acquired the 2001-built VLCC VL Sakura from Hellenic Tankers, a ship it will use for storage purposes.

There have also been multiple en bloc sales of MR tankers in recent weeks.

Meanwhile, concluded deals in the boxship sector have been very thin on the ground of late. The 800 teu boxship Eastern Express has just been sold by South Korea's Pan Continental Shipping on private terms to Southeast Asia-based operators in a rare concluded container transaction.



How aviation flew past shipping on emissions

Poor regulation and a failure by lobbyists have thrust shipping into an uncomfortable position in the public eye

For a sister publication looking at fuels and lubes published earlier this month we surveyed 100 owners and managers and asked them if they felt shipping had been unfairly targeted for its emissions compared to other industries, such as aviation. Perhaps unsurprisingly, 68% of the hard pressed owners and managers felt that they had indeed been treated more harshly than others by regulators.

Basile Aloy, founder of Belgian dry bulk shipping line Ebe, is one of the 32% of owners and managers polled who vehemently believes shipping has failed to enact green initiatives, and is only now starting to realise the power of public opinion.

"If anything I feel we've been given free rein for the last years, this push should have started earlier," Aloy says in a frank admission for a shipowner.

When *Splash Extra* took the question to a wider audience, responses became far more heated.

"Unfairness doesn't come into it," argues Splash columnist Neville Smith. "Aviation was much nimbler and better organised at lobbying so got itself a sweeter offsetting deal. In general shipping preferred to rely on being non-Kyoto, didn't foresee Paris and preferred to moan about being unappreciated."

Perception is indeed key, something not lost on Russell Barling, founder of Scripto Communications.

"Aviation has been on the front foot about changing the perception of its contribution to global warming," he says. "It is seen as a progressive industry; whereas shipping is seen as an industry that has to be forced to do the right thing. The problem lies in the structure of the IMO. Shipping regulates itself, reluctantly."

The victim complex

Wang Qian Li, chief liaison officer at electromagnetic technology firm Elektro-Dynamik, reckons it's only with the advent of new media channels that shipping has finally been thrust into the limelight, and it does not like the bright lights shining its way.

"Owners have been flying - or sailing - under the radar for centuries, and are now experiencing the mighty power of public opinion regardless of how asinine it may be," he says. "Due to recent technical advances every Tom, Dick and Harry with a computer can see where vessels are and what they are doing, there is little or no hiding anymore. And that has taken owners by surprise, which is the reason why they feel victimised these days."

> *"We were an easy target, fragmented and were pushed into the public eye"*

This victim complex suggestion is something also picked up by Ned Molloy, a consultant in the fields of shipping, oil markets and environmental regulation.

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"One of the key themes coming out of industry conferences recently has been the idea that we as an industry are being unfairly targeted by regulators," he says.

At the last Posidonia in Athens, shipping's big biennial bash, Theodore Veniamis, president of the Union of Greek Shipowners, claimed that shipping was "held disproportionately responsible for meeting environmental standards compared to other industries".

"If you feel that the EU MRV and IMO's fuel consumption database are being forced in too soon," Molloy says, "bear in mind that many of your customers – shippers - have been monitoring and reporting their carbon emissions for almost two decades under the Greenhouse Gas Protocol, which in 2011 was broadened to 'Scope 3' emissions, meaning those from the company's wider supply chain, including maritime transport."

Cargo owners, unlike shipowners, are caught within national government targets on climate change.

In plane sight

Julien Dufour, CEO of Verifavia, is well placed to comment on the topic as he works in both aviation and shipping. Verifavia is a worldwide independent environmental verification, certification and auditing body for aviation and maritime transport.

"Shipping is actually a lot behind aviation in terms of emissions regulations," he argues, pointing out how since 2012, all airlines flying to and from the European Union have had to monitor, report and verify their CO2 emissions, and they have to surrender carbon allowances covering their intra-European emissions. In addition, ICAO - the IMO sister organisation for aviation - has implemented a Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) covering CO2 emissions from international aviation emissions.

"From 2021, the aviation sector will achieve post-2020 neutrality by offsetting their emissions using qualified carbon offsets. Shipping is still a very long way from any of this," Dufour reckons.

Alisdair Pettigrew, managing director of BLUE Communications, and a former senior advisor to the Carbon War Room Shipping Operation, contends that shipping was not targeted unfairly at all.

"Like aviation, when shipping was left out of the Paris COP 21 agreement, it was always going to have come under intense scrutiny from the 'outside world', not least because of the projections of shipping's relative contribution versus other sectors in terms of its manmade carbon emissions through to 2050," Pettigrew says, adding: "If anything, shipping has escaped the fervour of criticism that aviation has witnessed. As a comparison - and given shipping and aviation broadly account for the same carbon emissions – because it is a consumer-facing industry, aviation is far more scrutinised."

Since the IMO's decision to see a 50% reduction in carbon by 2050 in April 2018, there has been less criticism. While the agreement does not align with Paris's ambitions, nor come even close to 1.5 degrees, it has been deemed a 'good start, but more can be done' from non-shipping media, environmentalists and progressive businesses.

"I would imagine – and support the notion - that Maersk's recent 100% carbon reduction 2050 announcement will see the 'outside' take a more quizzical analysis of the ambition of the IMO's targets going forward," Pettigrew presumes.

Last month, the International Chamber of Shipping (ICS), the top global shipowning lobby group, made an important admission, saying the industry will need to wean itself off fossil fuels in the coming decade to meet the decarbonisation goals set for 2050.

Cargo efficiency tale mistold

"Shipping has a beautiful story to tell on its inherent cargo efficiency but is losing that asset by the poor, reluctant and sketchy regulation," suggests Rolf Stiefel, vice president at Winterthur, Wärtsilä's two-stroke main engine licensing business. Stiefel cites next year's sulphur cap as a good example, something likely to reduce one pollutant but increase others such as CO2 and washwater. "The technology, ideas and concept are available to be more ambitious. It's a question of will," he says, warning that shippers and public opinion could drive shipping regulations in the future unless our industry becomes far more proactive.

For Manish Singh, a well-known maritime investment professional, all these attacks on shipping are missing the point, shipping needs to be supported, not targeted, as there's no other way of moving goods around the world in such a green way.

"I feel the green credentials or the true environmental performance of shipping is not adequately understood by the wider global stakeholder groups," Singh says, admitting that it should face scrutiny, without being targeted unfairly.

Quite so, agrees Bjorn Hojgaard, CEO of shipmanager Anglo-Eastern, who tells *Splash Extra*: "It's important to recognise shipping for all the good that it has done for humanity. Shipping has become so much more efficient in the past 50 years and this efficiency has enabled trade between countries and continents, which in turn has enabled raising income levels, in particular in the developing world."

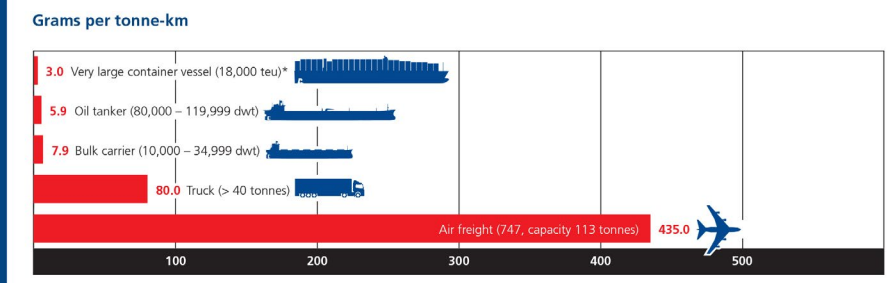
Khalid Hashim, who heads up Thai dry bulk owner Precious Shipping, says our industry is good at compliance, not necessarily being proactive in touting green legislation.

"Shipping has always had this attitude of let's just get along and comply with the legislative environment," Hashim says.

Ian Claxton, president and CEO of Philippine shipping concern, Magsaysay Shipping & Logistics, feels like many others surveyed for this article that shipping's lobbyists have failed the industry.

"Per tonne mile we have a smaller footprint than most if not all forms of freight and passenger transport," Claxton says, adding: "We were an easy target, fragmented and were pushed into the public eye. Association marketing and communications could have been a lot better to have reduced the victimisation." ●

COMPARISON OF TYPICAL CO_2 EMISSIONS BETWEEN MODES OF TRANSPORT



*Source: IMO GHG Study, 2009 (*AP Møller-Maersk, 2014)*

'I can see through the waffle of sales pitches'

Frank Coles on how his diverse resumé is bringing a new slant to both Wallem and shipmanagement as a whole

Offering transparency in one of shipping's murkiest sectors is how Frank Coles intends to reenergise one of Hong Kong's most famous shipping brands, Wallem Group.

Coles, formerly with Transas, took over from Simon Doughty at the 1903-founded shipmanagement company at the end of October last year and has quickly set about transforming the organisation, hiring and firing and trying to position the group under a new more tech-savvy positioning.

"We want to be consultative experts for owners navigating technology, regulations and ship operations," Coles tells *Splash Extra*, saying he prefers to refer to Wallem as a support organisation. He's not a fan of the term third party shipmanagement, he makes clear.

While Coles successfully helmed the sale of tech firm Transas to Wärtsilä, he's adamant that Wallem is not for sale, unlike, he says, many of his shipmanagement peers.

"We are not owned by private equity with a view to being sold," Coles says. "If I am looking across at other shipmanagers some are looking at an exit for their shareholders."

Other managers want as many ships as possible on their books and offer enticing low management fees, then tack on plenty of supplementary charges later on, the Wallem boss says. This lack of transparency has irked many shipowners over the years, and Coles believes Wallem has an opportunity to grow by being as transparent as possible.

"I am trying to change the shipmanagement model," Coles says, explaining: "Our business is so provide world-class support; it has to be transparent, has to provide data and analytics and people who are armed with this information."

The concept is to focus on full transparency, using technology as an enabler.

Coles has watched on in recent years as companies from other sectors in the maritime universe have increasingly moved in to usurp territory that used to be the purview of shipmanagers.

Class societies are increasingly positioning themselves as service companies, offering similar services to shipmanagers, Coles says, as are big tech companies such as ABB or his old firm, Wärtsilä.

"It's hard to say who is there to provide objective advice going forward. That is where we have to position Wallem," Coles says.

Coles' diverse CV includes stints at sea, at a maritime law firm, as well as Hong Kong owner Pacific Basin, before entering the tech space with time spent leading the likes of Globe Wireless and Inmarsat Maritime. It is this vendor background that brings something different to the world of shipmanagement, a business that has suffered in Coles' view from embedded traditions and a fear of owners.

"The benefit of coming from a vendor background," Coles says, "is I can see through the waffle of sales pitches in what is a hugely fragmented marketplace."

Warming to this theme, Coles continues: "There's a lack of clarity and standardisation acrsoss shipping. You cannot provide a complete shipmanagement solution unless you have an element of standardisation across the services you provide whether that's in training, crew or technology."

Coles is probably best known within shipping for his outspoken thoughts on digital, described by industry website Lloyd's List last year as a "digital provocateur".

What he's keen to get across however in conversation with *Splash Extra* is just how far back shipping is in its adoption and embrace of digital technologies. Talk of autonomous ships and alike is jumping the gun, he asserts.

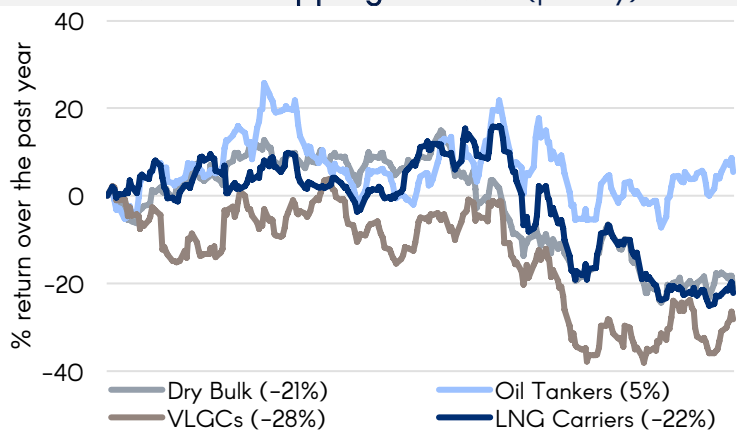
"Digital is the most overused word in shipping today," Coles says, adding: "There's a lot of drivel coming from technology companies today."

Coles' argument is that shipping needs to understand process change happening first in the office before we can even begin to have a discussion about such transformative technologies at sea such as autonomous vessels.

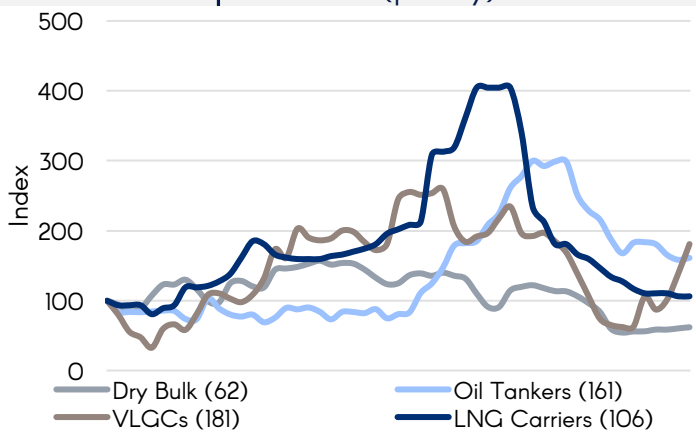
"We need to run our operations much more efficiently before we can have a conversation about whether we can prevent a Boeing 737 MAX incident in shipping," he says in reference to the Seattle-based plane manufacturer's recent travails with a new product launch.

"We are not there yet. It's too early to talk about weird and wonderful ships," Coles concludes. ●

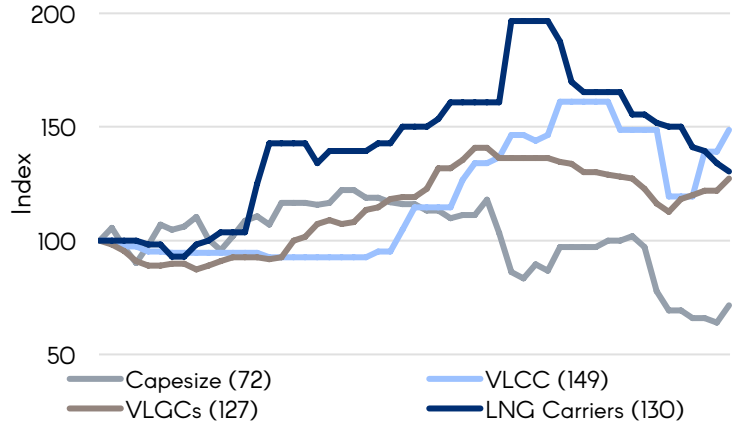
Cleaves' Shipping Indices (past 1y)



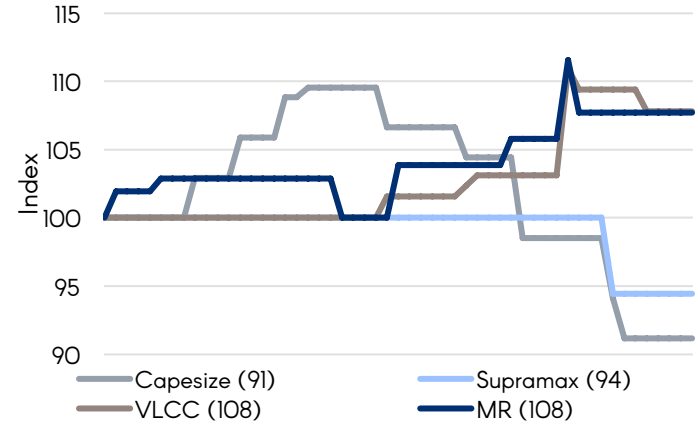
Spot Rates (past 1y)



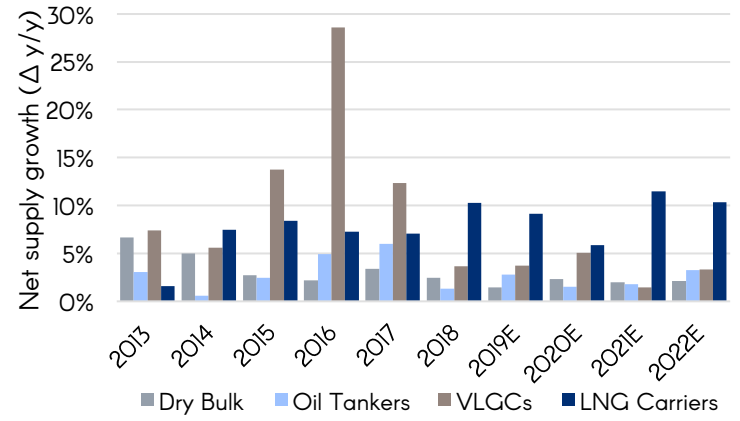
One Year Timecharter Rates (past 1y)



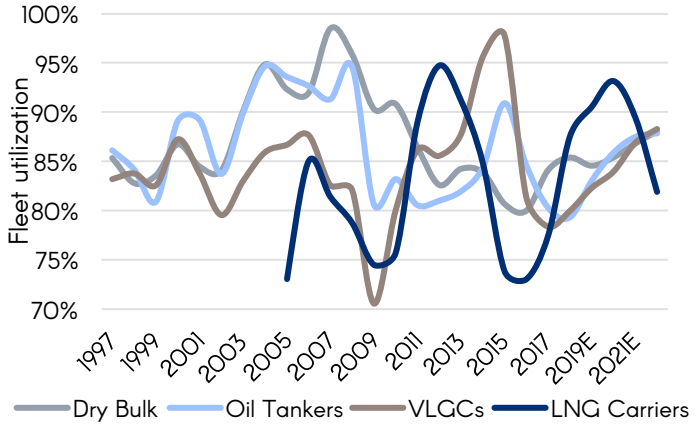
Five-Year-Old Vessel Values (past 1y)



Net Supply Growth



Fleet Utilization



Key Shipping Statistics

	Spot rates					Cleaves' spot rate forecasts				1y timecharter rates				5y old vessel values (broker quotes)			
Dry Bulk	Last	(1y)	Δw/w	Δm/m	Δy/y	2019E	2020E	2021E	2022E	Last	Δw/w	Δm/m	Δy/y	Last	Δw/w	Δm/m	Δy/y
BDI	690		-5%	11%	-38%	1,316	1,401	1,672	1,975								
Capesize	4,180		-35%	-31%	-53%	15,282	17,006	21,733	27,034	13,000	1%	9%	-32%	31.0	0%	0%	-9%
Panamax	8,241		16%	58%	-36%	10,755	10,769	12,920	15,331	12,125	1%	4%	-22%	19.0	0%	0%	0%
Supramax	9,199		6%	24%	-27%	11,434	11,678	13,350	15,224	10,625	-2%	0%	-23%	17.0	0%	0%	-6%
Oil Tankers	Last	(1y)	Δw/w	Δm/m	Δy/y	2019E	2020E	2021E	2022E	Last	Δw/w	Δm/m	Δy/y	Last	Δw/w	Δm/m	Δy/y
VLCC	22,670		-21%	-20%	127%	29,257	41,373	49,199	51,206	30,750	1%	26%	50%	69.0	0%	0%	8%
Suezmax	7,598		-23%	-57%	57%	21,350	29,212	34,290	35,592	23,000	0%	-3%	35%	50.0	0%	0%	18%
Aframax	15,601		-20%	-26%	85%	17,592	23,080	26,625	27,535	20,250	4%	8%	45%	35.0	0%	0%	13%
MR	15,057		20%	21%	39%	12,020	14,539	16,166	16,583	13,875	1%	2%	2%	28.0	0%	0%	8%
Gas Carriers	Last	(1y)	Δw/w	Δm/m	Δy/y	2019E	2020E	2021E	2022E	Last	Δw/w	Δm/m	Δy/y	Last	Δw/w	Δm/m	Δy/y
TFDE (LNG)	50,000		0%	-4%	6%	104,605	119,353	95,385	61,790	73,000	0%	-8%	30%				
VLGC (LPG)	21,912		22%	82%	81%	23,872	27,911	36,295	41,137	23,343	1%	8%	31%	52.0		0%	-7%

Sources: Cleaves Securities, Bloomberg, Clarkson Research Services, Fearnley LNG

Pass IPO, go directly to Wall Street

New York correspondent Greg Miller explains why the number of US-listed shipping companies is up, despite the dearth of IPOs

Product tanker major Diamond S Shipping is about to begin trading in New York – without an initial public offering (IPO). It's an omission that's increasingly the norm.

The concept of listing stock without raising cash via an IPO got a huge publicity boost when music-streamer Spotify did so in April 2018. Internet companies Slack and Airbnb may soon follow suit. So-called direct listings are now "a thing", writes Bloomberg.

This has not gone unnoticed in shipping. Gary Wolfe, a partner at law firm Seward & Kissel, tells *Splash Extra*, "People have come to us and said, 'We saw a description of what Spotify did. Can we do that?'"

In a hot shipping market, the appeal of an IPO is that private sponsors can flip vessels to public investors at a juicy premium. "During the IPO mania around 2004, Greek audiences were being told [by bankers] that if they went public, they could sell their ships for twice the price in shares," recalls Wolfe.

In today's market, shipping stocks typically trade at a discount to vessel value, and owners have little incentive to sell private fleets to public investors at 80 cents on the dollar, or less. But with a direct listing, they can obtain the advantages of being public and circumvent undigestible discounts.

Diamond S is the just the latest example of the non-IPO trend that has driven a net increase in the number of US-listed shipowners (see chart). Copenhagen-listed Torm secured a US NASDAQ listing and began trading in December 2017. South Africa's Grindrod Shipping, which is also listed in Johannesburg, began trading on NASDAQ in June 2018.

Angeliki Frangou's Navios Containers initially pursued an IPO, but pulled the plug in September 2018; instead, it directly listed on NASDAQ in December. Greece's Castor Maritime, which owns a single 15-year-old panamax bulker, began trading on NASDAQ in February.

> *"The shipping IPO drought has dragged on since Gener8 Maritime's debut back in June 2015"*

Connecticut's Diamond S originally sought to list on NYSE through a high-profile IPO. That plan was scuttled in March 2014 due to weak pricing. The new path to NYSE involves a merger with the tanker fleet of NASDAQ-listed Capital Product Partners and no IPO.

Direct listers don't pocket any IPO cash and face a one-year restriction on securities offerings, yet shipowners opting to go direct obviously believe the advantages of being public outweigh the lack of near-term proceeds and steep compliance costs. Why?

Debt trends are a likely culprit. European commercial lenders continue to retreat from shipping due to regulatory constraints, forcing owners to hunt for money in places they haven't needed to look before.

The enforced transparency of a US listing is believed to render public owners more attractive to debt providers, sale-and-lease-back companies, and other capital sources. Plus, being US-listed should eventually improve capital access through the sale of debt securities and preferred equity (and if valuations improve, common equity).

The net result is that the number of shipping ticker symbols keeps rising, despite a shipping IPO drought that has dragged on since Gener8 Maritime's debut back in June 2015. ●