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## THE BIGGER PICTURE

... Sharing the Seas with VOCs ...



Source: BBC

## POINTS OF VIEW

The recent television series Blue Planet II drew our attention to the damage that we are doing to our marine environment by, among other things, discarding plastics into our river systems that eventually end up in the sea\*. UK chain Iceland has become the first major retailer to pledge the elimination of plastic packaging from all its own brand products within five years to help end the scourge of plastic pollution. When it comes to air pollution we think we are making great strides. The US and China are contesting the booming electric and hybrid vehicle market. It is speculated that oil faces a guillotine date of 2040 by which time it will have been replaced by other energy sources such as natural gas and renewables (wind, wave, solar, biomass). Oil-derived plastics will be gone, LNG and LPG will challenge oil's dominance of propulsion systems, graphene will cannibalise steel's market share, 3D printing will generate manufacturing efficiencies, battery storage will revolutionise the electricity market, and coal and oil will stay in the ground. Technology will combine to lower the weight of manufactured goods and the heft of the vehicles used to transport them, thus increasing the range of trucks, trains, ships and planes. This in turn will slow the rate of fuel demand growth and totally eliminate certain shipping requirements at the margin. It will become a virtuous circle that will gradually cleanse industry, manufacturing, transportation and households of the need to use pollutive oil and coal. The pace of change is gathering speed.

IMO 2020 is doing its bit to tackle environmental pollution by reducing ship emissions of SO<sub>x</sub>, NO<sub>x</sub>, ODS and VOC\*\* shipboard incineration. As far back as 2008 the IMO set a 2020 deadline for implementing a reduction in the sulphur content of "fuel used on board", i.e. in main and auxiliary engines and boilers. Before 1<sup>st</sup> January 2012 the cap was set at 4.5% mm (mass by mass), this fell to 3.5% on/after 1<sup>st</sup> January 2012 and will drop to 0.5% on/after 1<sup>st</sup> January 2020. From 1<sup>st</sup> January 2015 a 0.1% cap was set for designated emission control areas (ECAs) being the Baltic Sea, North Sea, coastal North America and US Caribbean, so shipowners already have exposure to this regulatory vice. In tests in 2015 the average sulphur content in residual HFO was 2.45% and in distillate MDO/MGO it was 0.11%, so there is a lot more work to be done. Shell has calculated that a total of 3m-bpd of high sulphur fuel oil (HSFO) will need to switch to 0.5% low sulphur fuel oil (LSFO) through blending with gas oil. Logically this means that the price of HSFO will go down and that of LSFO will go up. The price spread to watch, predict and hedge will be between GO-FO and LNG-oil. Shipowners are faced with four options: 1. Switch to LSFO/MGO; 2. Switch to LNG (as MSC is doing with its nine 22,000-teu newbuildings at an extra cost of \$20m per ship); 3. Fit scrubbers to clean HSFO exhaust gas (from c.\$2m per ultramax to c.\$4m per VLCC at construction stage, more to retrofit); 4. Scrap. Options 2 & 3 are not realistic for small, old, low value ships. Option 1 is a gamble as the current Singapore premium of MGO to HSFO is 57%: \$584 versus \$372. LSFO may be somewhere inbetween, but we do not know, neither can we be sure of its availability. The extra fuel cost may be passed through to the shippers or receivers, or we might instead face a 2-tier freight market, nobody knows. This makes Option 4 by far the easiest way out, so expect a lot more scrapping, hurrah!

Just as we thought we were making a big contribution to cleaner living then along comes another expert. The *Science* journal has published a study by scientists in Los Angeles who have discovered that household products^ such as shampoo, oven cleaner, bleach, paint, pesticides, perfume and deodorant are as significant a source of the most dangerous form of air pollution as cars. In studying air pollution it found that up to half of particles known as VOCs come from domestic products. These compounds degrade into particles known as PM2.5 which cause respiratory problems and premature death. Car emissions had previously been blamed for the largest share in air pollution but it is now estimated that as much as 50% of VOCs in LA come from domestic products. It is likely that these findings would also apply to other large cities, suggesting that it will be difficult to hit pollution targets by tackling cars alone. A parallel study claims that professional cleaners suffer a decline in lung function comparable to that of regular smokers. Over past decades cars have become cleaner and their PM2.5 output has plunged, but household products have been overlooked. Despite being used in relatively small quantities they now rival the PM2.5 output of today's efficient combustion engines. Maybe household regulation beckons. If you want to be totally safe then don't smoke, don't drink, don't eat processed food, don't be a couch potato, don't wash, don't clean the house and definitely don't go outside to weed the garden. Live bored, die healthy...

\*Research suggests that just 10 rivers account for 88-95% of the plastic waste that makes its way into our oceans, from west to east: Niger, Nile Indus, Ganges, Mekong, Pearl, Yangtze, Yellow, Hai He, Amur.

\*\*Sulphur Oxide, Nitrogen Oxide, Ozone Depleting Substances and Volatile Organic Compounds.

^Which are often petroleum-derived.

The **BDI** closed the week at 1,084, down from last weeks close 1,125. The **Cape** roller-coaster continued this week as the market fell by \$1,740 to close at \$12,396, down from last weeks close of \$14,136. In the Atlantic, Oldendorff fixed the Berge Bulk TBN 160,000/10% for Puerto Bolivar/Rotterdam at \$9.00 pmt and the Cargill TBN 130,000/10% was fixed by Salzgitter for Saldanha Bay/Hamburg at \$7.25 pmt. On the front haul, The *Cape Heron* (177,656-dwt, 2005) 170,000/10% was fixed by Vale for Tubarao/Qingdao at \$16.65 pmt and Hyundai Glovis fixed the TBN 160,000/10% for San Nicolas/Qingdao at \$16.50 pmt. On the Dampier/Qingdao, Rio Tinto fixed the *Angel II* (176,967-dwt, 2012) 170,000/10% at \$6.70 pmt. POSCO fixed the Panocean TBN 165,000/10% for Hay Point/Kwangyang at \$6.43 pmt. On the period rate, the Koch Shipping *Great Jin* (175,868-dwt, 2010) was relet by NYK for 5-7 months rate based on 103% BCI 5 t/cs.

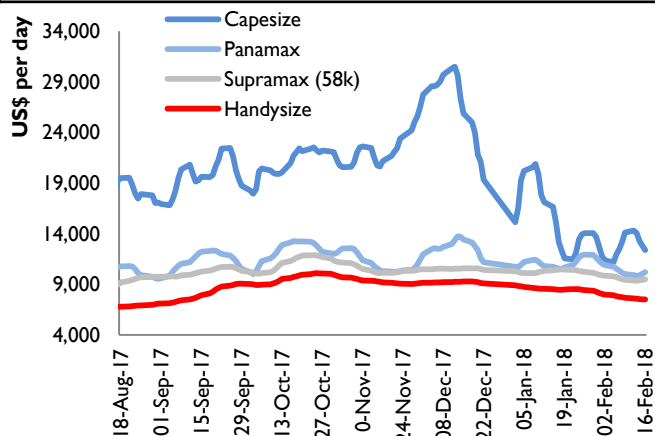
*Vittoria* (78,259-dwt, 2013) fixed an Indonesian coal run into South China at \$12,000 with delivery taking place in Davao. There was a bit of activity on the period side of things, notably Bunge fixed *Peak Proteus* (82,158-dwt, 2013) delivery Qingdao for 3/6 months with the 1<sup>st</sup> 45 days at \$9,500 then \$14,000 for the balance and *Baltia* (75,776-dwt, 2005) fixed for 4/6 months delivery Samcheonpo at \$11,500. It was a very quiet end to the week with Chinese New Year celebrations in full swing.

The **Panamax** market rose by \$186 to finish the week at \$10,216. In the Atlantic, *Theresa Jiangsu* (81,680-dwt, 2012) was fixed by Cargill at \$15,250 delivery Santos for a trip to Skaw/Passero and *Omiros* (73,326-dwt, 2001) was fixed delivery Rotterdam for a trip via Saudi Red Sea by Langlois at \$9,750 redelivery Port Said. *Star Betty* (81,168-dwt, 2011) fixed by a Chinese charterer for a front-haul ex East Coast South America into Singapore/Japan for \$15,000 plus \$500,000 bb for early March dates. In the Pacific *MG Explorer* (84,790-dwt, 2016) was fixed for a NoPac round voyage at \$11,500 delivery Longkou and

The **supramax** index closed the week at \$9,597, while the **handy** index closed the week at \$7530. Little activity was reported in the Atlantic, however, it did see a late push on the routes for the supras. The *Darya Jaya* (63,584-dwt, 2017) fixed delivery Recalada via East Africa, redelivery South Africa at \$14,000 plus \$130,000 bb. The *Singapore Spirit* (32,259-dwt, 2002) fixed delivery Paranagua for a trip up to the US East Coast at \$13,000. Meadway fixed the *African HBB* (28,148-dwt, 2015) delivery East Coast South America redelivery Continent at \$10,500. There were reports of a 33k-dwt fixing a scrap run off the Continent to the East Med at \$11,000. It was quiet as expected in the Pacific. Sivabulk fixed the *Aquaprospers* (63,286-dwt, 2015) delivery Hong Kong via Indonesia, redelivery India at \$9,000. The *Sealuck II* (55,452-dwt, 2004) fixed delivery South Africa redelivery Singapore-Japan at \$12,300 plus \$230,000 bb. On period, the *Maria Grace* (53,450-dwt, 2008) fixed delivery Philippines for 5-7 months trading, redelivery worldwide at \$11,400.

**Representative Dry Cargo Market Fixtures**

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Anangle Vigour	180,391	2012	Ijmuiden	18/20 Feb	Cape Passero	14,500	SwissMarine	Via Narvik + Turkey
Aqua Splendor	175,589	2012	Liuheng	16/20 Feb	China	14,500	Oldendorff	Via Port Headland
MG Explorer	84,790	2016	Longkou	17 Feb	Singapore/Japan	11,500	CNR	Via NoPac
Star Betty	81,168	2011	ECSA	8/11 Mar	Singapore/Japan	15,000	Chinese	\$500k bb
Omiros	73,326	2001	Rotterdam	22/27 Feb	Port Said	9,750	Langlois	Via Saudi Red Sea
Darya Jaya	63,584	2017	Recalada	Early March	South Africa	14,000	HBC	\$130k bb
Sealuck II	55,452	2004	SAFR	ppt	Singapore/Japan	12,300	CNR	\$230k bb
RHL Monica	53,542	2008	Singapore	ppt	China	9,200	CNR	Via Indo
Singapore Spirit	32,259	2002	Paranagua	18/19 Feb	USEC	13,000	CNR	-
African HBB	28,148	2015	ECSA	28 Feb	Cont	10,500	Meadway	-



Exchange Rates	This Week	Last week
JPY/USD	106.00	108.86
USD/EUR	1.2453	1.2257

Brent Oil Price	This Week	Last week
US\$/barrel	64.60	63.52

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	370.0	372.0
MDO	570.0	582.0
Rotterdam IFO	352.0	347.0
MDO	545.0	548.0



### Dry Bulk S&P

The market is free-wheeling: the Chinese market has taken its feet off the pedals and the freight market is providing a gentle, downward slope. We have a mixed bag of sales to report, all of them staying pretty much at last-done prices.

Turnover in the cape market, for units both young and elderly, continues at a relatively brisk rate, especially considering that this is a market not over loaded with sales candidates. Despite a cape index which sits at about 40% of its two month peak, second-hand values have not buckled an inch. Berge Bulk are reported to have bought *South Trader* (181,373-dwt, 2014 Imabari) for \$36.5m.. The older *Silver Road* (185,820-dwt, 2002 Kawasaki) is reported sold to Greek owners Times Navigation for \$15m, having been (erroneously) reported sold back in December for \$15.5m..

The kamsarmax sisters *Emerald Baisha* and *Emerald Dongji* (81,500-dwt, 2015 Ouhua) are reported sold at \$23m each to Chinese buyers. Chinese buyers are also reported to have bought the Dolphin57-type *Aquamarin* (56,969-dwt, 2012 Hantong) at \$12.1m, in a bank related sale.

Finally a pair of two-generator, open-hatch, semi-box handysizes are reported sold enbloc. *Kumano Lily* (32,292-dwt, 2009 Kanda) is sold at \$11.2m and *Star Lily* (33,248-dwt, 2008 Shin Kochi) at a proportionally lower \$10.3m.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Silver Road	185,820	2002	Kawasaki	-	Times Navigation	15	
South Trader	181,373	2014	Koyo	-	Berge Bulk	36.5	
Emerald Baisha	81,585	2015	Zhejiang	-	Chinese	46	Enbloc sale
Emerald Dongji	81,480						
Vika	74,461	1999	Sasebo	-	Middle Eastern	8	
Aquamarin	56,969	2012	Hantong	C 4x36	Chinese	12.1	Bank sale
Kumano Lily	32,292	2009	Kanda	C 4x30.5	Undisclosed	11.2	Enbloc sale
Star Lily	33,248	2008	Shin Kochi	C 4x30		10.3	

#### Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	\$/LDT	Buyer
Basilia	106,852	1992	Tsuneishi	TANK	17,418	458	India-Bangladesh options
Sea Dolphin	50,743	1989	Mitsubishi	LPG	16,365	446	'As is' Singapore
Harma	9,455	1994	Varna	BULK	3,290	294	'As is' Singapore
Kapitan Sergiyevskiy	5,730	1981	Vyborgskiy	CONT	4,215	440	Bangladesh

## Tanker Commentary

An inevitable quiet descended over the market this week, with Japanese holidays to start the week, Chinese New Year at the end and soft earnings throughout, the spark needed to ignite activity remained absent.

The VLCC *Taga* (303,430-dwt, 2004 – Universal), is rumoured to have been committed on long subjects around the \$26m mark, Pertamina being mooted as the potential buyers.

The aframax *HS Carmen* (113,033-dwt, 2003 – Samho), was sold at \$11.3m to Eurotankers, in line with the last done *Ridgebury Alice M* (105,745-dwt, 2003 – Sumitomo) which achieved \$11m almost a month ago.

In the MR market, *Rosa Tomasos* (37,155-dwt, 2003 HMD) has been tied up for \$8.6m to undisclosed buyers. The BP MRs, *British Courtesy*, *British Tranquility* and *British Serenity* (all 47,210-dwt, 2005 HMD), were in negotiations for an en bloc sale around the \$36m mark, at the time of writing have not been concluded, worth keeping an eye on next week.

With values at seriously low levels, and most owners believing prices cannot dip much lower, Sellers are keen to hold on to what they have, meaning at present, Buyers are having to go

fetch.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
HS Carmen	113,033	2003	Hyundai Samho	Eurotankers	11.3	
Rosa Tomasos	37,155	2003	Hyundai Mipo	Undisclosed	8.6	
Argent Freesia	34,569	2010	Fukuoka	Koyo Kaiun	Undisclosed	

### Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pm)	Charterer
RS Aurora	158,000	2018	SWS	1 year	16,000	Navig8
Hull 5018	114,000	2018	Daehan	1 year	16,750	Navig8
Cielo Di Rotterdam	74,100	2018	Hyundai Vinashin	6 months	13,750	D'Amico
Unique Harmony	50,471	2012				
Unique Fidelity	50,083	2010	Onomichi	1 year	13,800	Norden
Rainbow Star	47,333	2009				
Amadeus	50,108	2015	Samsung Ningbo	1 year	14,750	Repsol
Nave Pyxis	49,998	2014				
Nave Sextans	49,999	2015	Dae Sun	1 year	14,000	Cargill
Nave Dorado	47,999	2005	Iwagi	1 year	13,500	Norden
Adventurous	47,999	2004	Koyo	Undisclosed	12,250	ST Shipping
Aktoras	37,582	2016	Hyundai Mipo	1 year	13,500	Shell

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