



□ **HIGHLIGHTS:**

A Tour Of CMH, A Tour Of Greetings

□ **In A Nutshell**

Letters Of Indemnity – The Charterer’s Prospective

The Challenges Of CII Compliance – Cooperation Is Key

□ **Market Snapshot**

Russian Crude Oil Price Cap

Shipping Markets

Ports and Terminals

# CMH SPOTLIGHT

**December 2022**

Publication by CM Houlder Insurance Brokers Limited,  
a China Merchants Group subsidiary.

## Margaret Lo

Integrated Operations Centre – Director

2022 has been a year defined by the abundance of obstacles that it presented to us. The war in Ukraine, the soaring energy cost, the inflation that spiraled out of control, the threat of recession together with the resulting uncertain outlook for trade, and the major disruptions caused by the pandemic and an increasingly volatile climate. But despite all these challenges, we have remained resilient, and without a doubt have emerged through this baptism of fire stronger than ever.

To our valued clients and partners, your trust, support and understanding have been pivotal for us. Thank you for encouraging us to the best that we can be, and for your creativity. Indeed, a lot of brilliant solutions that had been devised this year stemmed from our fruitful joint-brainstorming sessions.

To our brilliant staff, allow me to quote the great Michael Jordan. He once said that “talent wins games, but teamwork and intelligence win championships”. I’m thankful that you are both talents and team players, a harmonious ensemble of veteran professionals from different backgrounds and new-blood injecting vitality. It is through your tireless work and dedication that we are able to attain not only tactical success, but also create strategic value.

I am grateful to all of you who have been the greatest companion through the ups and downs of this year, and would like to wish you greater success and smoother sailing in 2023. But before we are to raise our sails again, do take the time to relax and enjoy the festive season. Please do have the merriest Christmas with a happiest new year.



## Evelyn Lo

Integrated Operations Centre – Deputy Director

“ *As the year draws to a close, allow me to spread the festive spirits by wishing you an joyous Christmas and happy New Year.*

*Looking back at the year past, we see a picture of unease and uncertainty. Volatile geo-political tensions, turbulent energy markets, broader macroeconomic headwinds, and the persistent lingering overcast of the pandemic all contributed towards the immensely challenging conditions.*

*With such challenges expected to extend into the immediate future, we hope that our monthly CMH Spotlight publication will be a welcomed hub of information and summaries, which will be of use towards keeping up with the latest industry news and navigating the yet-chartered waters.*

*Last but not least, thank you so much for your support and companionship in the year 2022, and we look forward to extending our important partnership into the new year and beyond.*

”

**N.B. Positions of the colleague(s) named hereby are featured in the respective picture(s) from left to right.**





## Capt. L.C. Chan

**Risk Management & Loss Prevention Consultant**

As our risk management consultant, Captain Chan is our walking Wikipedia of the IMO resolutions and technical issues. He is seen in various seminars and briefings, and recently particularly involved in GHG reduction study.

## Matthew So

**Marine Claim Team – Assistant Director**

Matthew is the head of our claim team, with full spectrum of experience in various classes of marine insurance.



**Iris Ko**

**Marine Placing Team – Deputy General Manager**

Iris is our perfectionist in her work output.

“

*We all have had more than our share of challenges this year. Wishing you peace and hope at Christmas and a new year full of better days.*

*Eat! Drink! Be Merry! Have a wonderful Christmas!*

”

**Tonya Li**

**Marine Placing Team – Senior Manager**

Tonya’s previous working experience as an underwriter gives her a special edge in her current work to bridge commercial needs and insurance.

“

*Good day and greetings! It is a great pleasure to meet you all through the Spotlight.*

*Thank you for your support in the past, to looking forward, surely we will continue to deliver quality service of insurance arrangement.*

*Taking this opportunity, I wish you and your family a happy New Year and may all your wishes come true!*

”

## Eddie Ye

### Marine Placing Team

Freshly graduated, Eddie is our new blood invigorating our marine team.

“ *I am lucky to have my first working experience in CM Houlder. The working atmosphere here is friendly and harmonious which makes me feel at home. Particularly, I want to give special thanks to my team mates who are very friendly and always ready to share their know-how, so I can keep learning and growing.* ”

## Sunny Gu

### Marine Placing Team – Deputy General Manager

Sunny is our returning gem, her working enthusiasm is very contagious.

“ *I'm very delighted to rejoin CM Houlder since November 2021 and look forward to continuously providing professional services to you. During the Christmas season, I would like to wish all of you and your family a happy and healthy Christmas!* ”

## Anita He

### Marine Placing Team

Anita's excellent ability in walking in others' shoes makes her a valuable player of the team as well as a considerate service deliverer to the clients.

“ *I am grateful for all the people and things I have encountered during the three years of working in CM Houlder, and I would like to take this opportunity to wish all my colleagues and partners a Merry Christmas and a prosperous business!* ”



## Xiao Ziran

### Marine Placing Team – Assistant General Manager

Three things that can help you to identify this lady in our office:

1. She who seems always on the phone, especially in this busy renewal season;
2. She who is the owner of most vases and plants, and managed to let them survive this renewal season;
3. She who likes to make nice and aromatic tea to sooth the nerve of every one sitting in her neighborhood, in this renewal season.



## Lynn Lin

### Marine Placing Team

Joining us in 2021, Lynn has been making steady progress and gaining more confidence in her work.

“ *I have learned a lot from our kind and accommodating colleagues. It's the second time for me to participate the busy but fulfilling renewal season. I hope everything in the upcoming renewal would have the best result.* ”

*At this festive season, we wish you and your family peace, health and happiness this Christmas and in the coming New Year!* ”





**Terrence Sun**

**Marine Placing Team – Senior Manager**

“ *It is my great honor to join the CMH family in this October. Our team has a dynamic composition of experience, efficiency, energy, foresight, and male hormones.* ”

**Donovan Lam**

**Marine Placing Team – Assistant Director**

“ *Working with you has always been a great learning for us. All of us here at CMH wish you have a happy and prosperous Christmas and New Year!* ”

**Wong Ho Fung**

**Marine Placing Team**

“ *Greeting all, I’m happy to meet you through Spotlight .Taking this chance, I would like to wish you all a Merry Christmas and Happy New year 2023.* ”

**Ken Chan**

**Marine Placing Team / Intelligence Team**

“ *I always feel well supported and guided to overcome the difficulty in my work, as the people here are all kind and helpful. Merry Christmas all!* ”



## Heidi Li

### Marine Team, our documentation backer

Heidi does not only set us free from the documentation workload, she even turns this work into an art of tidiness and accuracy.

The editor firmly believes the secret of Heidi's eagle eye was trained through all the K-pop idols on her desk, as she can always tell who is who while all faces seem similar!

## Freda Ip

### Marine Team, our all-rounder secretary

Freda is definitely the Survival Guide of CM Houlder, she knows all answers to the "where, when, who, how" about this office.

*“The Marine team is a warm family in which I have gained valuable working experience and a lot of happy moments. I have learnt a lot and all these experiences have led me to be prepared for any situation.*

*May your life be filled with warmth and good cheer in this holiday season and throughout the New Year.*

”





## Matthew So

### Marine Claim Team Head

Matthew's strong hand is not only in claim handling advice. He is popular in this office for his classy latte art and lame jokes.

## Michelle Li

### Marine Claim Team / Intelligence Team

Previously worked in legal industry, Michelle has transplanted the law school-style meticulousness and accuracy into her claim handling.

*“ After joining in our team, I have kept learning not only professional knowledge, but also influenced by positive attitudes towards work and life. I am very thankful for the chance to step in the career path and will continually be prepared for the new challenges in the New Year.*

*Merry Christmas! Cheers to the new beginnings and bon voyage for the New Year! ”*

## Summer Hao

### Marine Claim Team / Intelligence Team – Assistant General Manager

Though in worry of being forgotten, Summer is selflessly greeting every one a prosperous and claim-free New Year 2023!

Well, no worry Summer, you will be remembered by the readers of CMH Spotlight.

A row of file folders with labels: Clients, Guidelines, Policies, and Su.

Guidelines

**In A Nutshell**

# Letters Of Indemnity – The Charterer’s Prospective

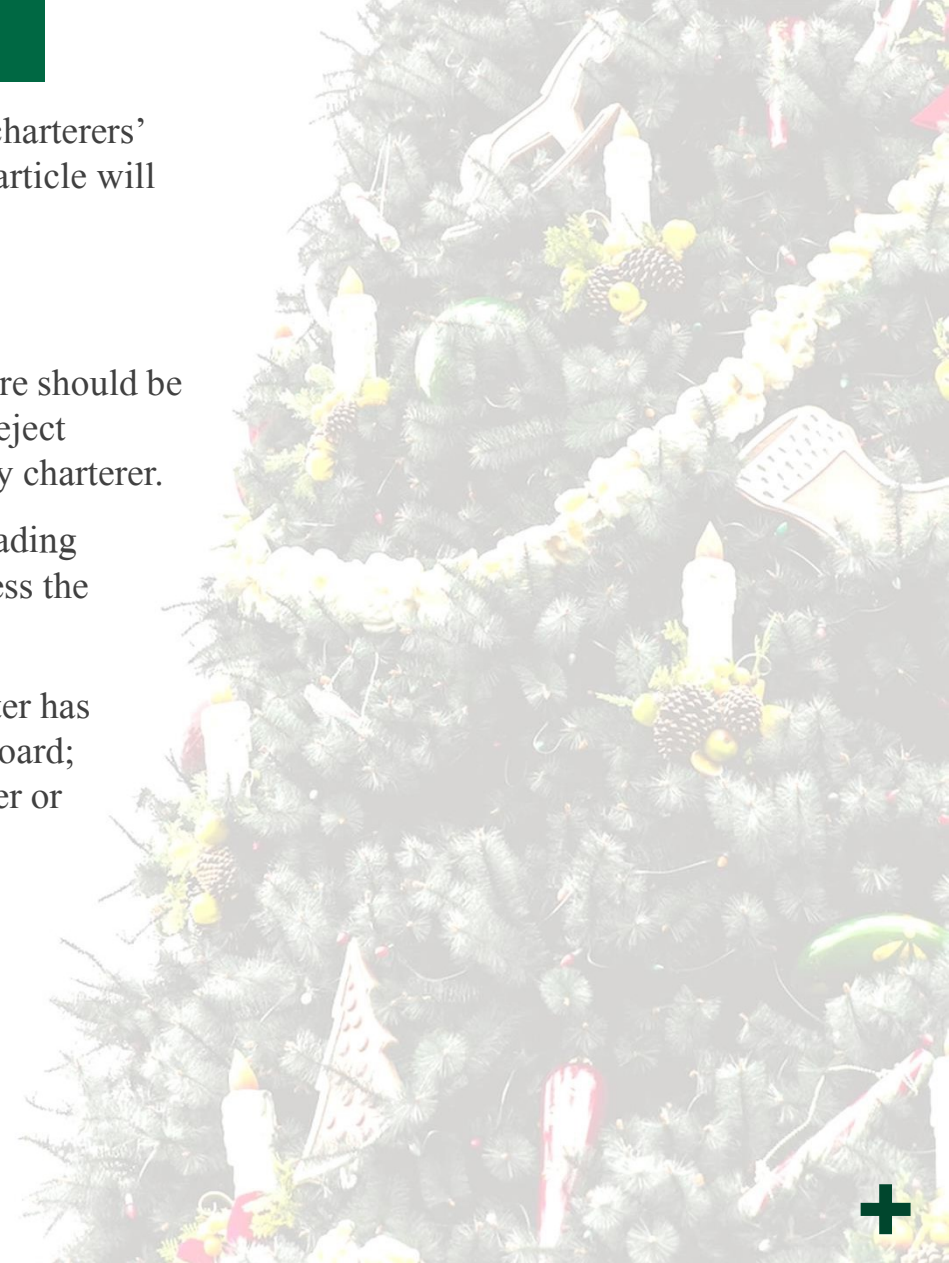
Letters of Indemnity (“LOI”) issued by charterers generally fall outside of standard charterers’ P&I cover though such is a common commercial solution in shipping industry. This article will discuss from charterers’ perspective what can be considered before issuing a LOI.

## Is LOI Really Needed?

- If charterer is entitled to request some operation under the charterparty terms, there should be no justification for a LOI. Otherwise, owners may be contractually permitted to reject charterer’s request pending additional assurance in the form of LOI is provided by charterer.
- Typical scenario for LOI is cargo delivery without providing the original bill of lading at the discharge port, although owners are actually not obliged to accept LOI unless the charter clearly states they must do so.
- Many other scenarios are less clear-cut, e.g. request of a clean B/L when the master has concerns about the apparent condition of cargo; request to blend liquid cargo onboard; discrepancies between the ship and shore figure on loaded cargo quantity. Whether or not a LOI is appropriate should be assessed on case-by-case basis.

## Is There A Standard P&I Club Wording?

- The IG Clubs issued only 3 standard LOI wordings, to address issues of delivery of cargo without production of the original B/L, delivery at a different discharge port other than that stated in the B/L, issuance of clean B/L and issue of freight pre-paid B/L.



## Letters Of Indemnity – The Charterer’s Prospective (Cont’d)

- If the charterparty provides that a LOI is to be provided following “owners’ P&I club wording” for a particular operation where no published club format exists, it would result in uncertainty and potential disputes to the precise term of the LOI.
- It is prudent to agree in advance on the full wording of LOI for particular scenarios and include it in the charter, albeit contractual parties cannot foresee all possible scenarios.

### How can charterers reduce risk exposure when giving an LOI?

- To obtain a back-to-back LOI from sub-charterer or counterpart of a sale contract.
  - ❑ Charterers may attain extra security (e.g counter signature of a international bank) in case the counter-security provider is not financially able to honor their obligation.
  - ❑ Consult on the legal and practical issues related to LOI enforcement.
- To carefully consider the wording of the LOI. It is advisable to adopt main provisions of IG Clubs’ standard wording with logical amendments, even for non-standard LOI.
  - ❑ Indemnities and connected obligations (e.g. providing security) shall be limited to issues arising from owners’ compliance with the request.
  - ❑ Avoid taking on responsibility for issues arising from owners or crew’s negligence. Wordings like “liabilities howsoever arising” or wording which is similarly wide, will have such effect to increase charterers’ exposure.
  - ❑ Consider inserting a limit of liability, e.g. by reference to the cargo value.

# The Challenges Of CII Compliance – Cooperation Is Key

The Carbon Intensity Indicator (CII) rating system which was developed by IMO will come into force in 2023. The CII regulations will be used to assess the efficiency of ships' operation in terms of CO2 emission, and will likely alter the traditional division of responsibilities between owners and charterers.

## About CII Regulation

- All cargo, Ro-pax and cruise vessels above 5,000 GT will be rated for their operational Carbon Intensity for each calendar year.
- The rating scale is from A to E, with 'E' being the worst rating under the CII regime.
- Vessels which are subject to CII must develop a ship specific “Ship Energy Efficiency Management Plan” (SEEMP) Part III to include items such as ‘CII calculation methodology’, ‘Required CII values until 2026’, ‘implementation plan for achieving the required CII’ and ‘procedures for self-evaluation & improvement’.
- If a ship is rated "D" for three consecutive years or "E" for one year, it must update its SEEMP Part III with a corrective action plan showing how the ship will achieve a "C" rating, which will then be verified by the flag state or classification society.
- The factors affecting the CII includes the voyage distance, sailing speed, machinery performance, hull's frictional resistance through water, loaded tonnage, energy efficient technologies, fuel types, the weather / hydrographic conditions and idling time.



# The Challenges Of CII Compliance – Cooperation Is Key (Cont'd)

## About CII Regulation (Cont'd)

- Various correction factors and voyage adjustments can be applied to the calculation of the attained CII, for example:
  - any emission necessary for the purpose of securing the safety of a ship or saving life at sea;
  - fuel consumed in relation to STS voyages;
  - fuel consumed for production of electrical power used for refrigerated containers or cargo cooling/re-liquefaction systems on gas carriers;
  - fuel used in cargo heating and etc..
- The carbon intensity limits will be progressively reduced by 2% per year to require a continuous improvement from the shipowner; otherwise the ship will be downgraded.
- IMO encourages Administrations and port authorities to provide incentives to ships rated as A or B, but there is no guidance on how the incentives would be, nor does any authorities announce on any incentive schemes so far.

## Other Important Section

- The crew will need to be upskilled to manage the transition to new fuels and technologies.
- Conduct continuous evaluation to achieve the desired rating before the voyage.
- Open data transfer and record-keeping between owners and charterers in CII calculation.



# Market Snapshot



# The Price Cap Scheme On Russian Oil

- The EU, G7 and Australia have recently introduced legislation and guidance with effect from 5th December to impose a Price Cap Scheme on the Russian oil, with intention to maintain the global oil supply whilst restraining the latter's earnings from the oil exports.
- Under the price cap, the Russian crude oil cargo shall be at or below USD60 per barrel from the time it is loaded until it has cleared customs at the destination port.
- EU, UK and US legislations provide for a 45-day winddown period expiring on 19th January 2023 for vessels carrying Russian crude oil at the time Price Cap Scheme commences.
- IG Clubs are able to provide P&I cover for Russian crude oil shipments subject to the shipowners or charterers' confirmation as well as provision of appropriate attestation to Clubs that the cargo price does not exceed the price cap during the relevant period.
- Clubs will be required to withdraw cover where there are reasonable grounds to suspect that the cargo being carried has been purchased at a price higher than the price cap. Clubs which are subject to UK or US law are also obliged to notify their respective regulator of any suspected breach of the Price Cap scheme.
- The Price Cap Scheme presents unique compliance challenges. Whilst an owner or charterer may not break any law if it conducts due diligence and receives an ostensibly valid Attestation, providers of maritime services such as insurers, reinsurers, flag states and banks are obliged to withdraw their services as long as they have reasonable suspect on compliance of the Price Cap Scheme.



# Seafarers' COVID-19 Test Results Not Required Before Vessels Calling At Chinese Ports

China's Ministry has issued an updated version of 'Guidelines for the Prevention and Control of Covid-19 in Ports and Their Frontline Personnel (the 12th edition)' on 8th December. Below is a summary of the main points:-

- COVID-19 test results for seafarers are not required to be provided prior to a ship's call.
- The following information is still required from ships on international voyages prior to berthing:
  - Ports of call, berthing/unberthing information within the preceding 14 days before vessel's arrival.
  - Crew's general information and health condition. Crew changes, embarkation and disembarkation personnel, materials and supplies delivery and personnel contact during berthing.
  - Ship's quarantine and epidemic prevention measures.
  - Sewage treatment plant and ballast water management system.
  - Reefer containers and refrigerated cargo in bulk.
  - Disinfection and transfer of garbage from ships.
- Loading and unloading operations can only be carried out if the ship accepts quarantine by customs, obtains quarantine certification documents, and the shipping company or its agent submits a commitment letter on the health status of the crew.
- Port operations for domestic trade no longer restrict port operators from boarding ships or crew from entering port operation areas. However, for ships on international voyages, measures should be taken for port operators to "avoid unnecessary boarding" and crew members to "avoid unnecessary disembarkation".
- Crews will be prohibited from entering the foreign trade port operation zone. Ship-shore interaction of international voyages will be strictly controlled.
- Vessel agents and surveyors will still be required to close-loop when boarding international voyage vessels through the port area.

## OPUS Terminal Successfully Implemented at Qinzhou Terminal

- The world's first U-type Full Automated Terminal, located at Qinzhou Automated Container Terminal, allows for autonomous operation of all the terminal's equipment.
- I-AGV (Intelligent Guided Vehicle) process has been deployed, as well as ARMGC (Automated Rail Mounted Gantry Crane) and STC (Ship To Crane) technologies in semi-automatic container terminals.
- Since it opened, the Qinzhou Automated Container Terminal has been using two berths. The second phase berth expansion is scheduled at the end of 2023, seeking to achieve the higher safety level and development of advanced features such as AI.

## Mainland China Exports and Imports Review

- The General Administration of Customs announced exports in dollar terms fell almost 9% in November from a year earlier, which is a biggest contraction since February 2020. There is also a decline in imports at 10.6%, leaving a narrow trade surplus of USD69.8 in November.
- This drop comes although it is a time when exports would normally be rising strongly ahead of the Christmas and holiday season overseas, and one of the reasons is that the highly inflated consumer prices in western countries have weakened the demand.
- Despite a decline in overall exports, outbound shipments of cars and chassis were robust, growing 73.1% in the January-November period on year. Exports of rare earths also jumped up by 68.7% from a year earlier during the same period.
- It is expected that the exports would not soar up very soon, as it may take a few months for Mainland China to go through a process to pre-pandemic normalcy after the Covid measures being loosened recently. Some maritime industry players expected the containerized export volumes will remain under pressure through the end of the first quarter of 2023.

## Dirty Bulkers Now Being Used To Carry Grain To Asia

- As the demand for the steelmaking ingredients is experiencing a slump, the freight rates of bulker carriers were driven down by 50% from a year earlier. Market saw a trend that iron ore carriers being scrubbed clean and employed to transport grain to Asia.
- To ensure the vessel's holds in "grain clean" level, a deep-cleaning process can cost at least USD7,000 to USD8,000 and may extend to a week. This is a process that large iron ore ships typically stay away, but now had to compromise due to the depressed iron ore freight as well as traders' eagerness to bring down the cost in the volatile commodity market.
- The ships of choice for this alternative employment are mainly "Baby Capes", the smallest of Capesize vessels capable to carry about 100,000 tons. From January to October 2022, hiring a Capesize is cheaper than a Panamax by an average of USD5,200/day.
- As per some market trading houses, it can be expected that more iron ore bulkers would shift to carrying grain cargo in the next year.

## China Shipyards Record Increased LNG Tanker Orders

- Three Chinese shipyards, i.e. Hudong-Zhonghua Shipbuilding, China Merchants Heavy Industry and Yangzijiang Shipbuilding have gained 45 LNG tanker orders which represented approx. 30% of this year's record orders for 163 gas carriers.
- LNG tanker order books for Chinese yards tripled, reasons include:-
  - Domestic shipowners' response to the nation's calling for energy security;
  - China's gas traders and fleet operators sought to secure shipping after the freight rates soared to record high;
  - China's propelled demand for LNG to ship 20 million tonnes a year from the U.S., which will call for 80 vessels to transport.
- According to the market data, Chinese shipyards has contributed to 9% of the existing global LNG fleet; by late November 2022, LNG order books of Chinese shipyard had reached to 66 from 21, accounting for 21% of global orders worth around USD60 billion, which also included 19 foreign orders.
- Both chances and challenges are expected – the Chinese builders will face a steep learning curve and have to tackle with the shortage of skilled workers.

# Happy reading, take care and see you in 2023!

Editor: Summer Hao  
[summerhao@cmhoulder.com](mailto:summerhao@cmhoulder.com)

## Disclaimer:

The information contained in this CMH Spotlight is for general information purposes only. It does not constitute any legal, technical and/or commercial advice and should not be relied upon as such. Professional advice for legal or other aspects should always be sought separately.

Despite our best efforts, the information provided in this website may not be accurate, up to date or applicable to the circumstances of any particular case.

External links to other sites are being provided as a convenience and for informational purposes, they do not constitute an endorsement or an approval by the CM Houlder Insurance Brokers Ltd. of any of the products, services or opinions of the corporation or organization or individual. CM Houlder Insurance Brokers Ltd. bears no responsibility for the content of the external sites or for that of subsequent links.

CM Houlder Insurance Brokers Ltd. makes no representations or warranties of any kind, express or implied, regarding the completeness, accuracy, adequacy, validity, reliability, legality, availability of the information contained herein and accepts no liability for any loss or damage whatsoever and howsoever arising directly or indirectly from reliance on it.

Please do not circulate this report to third party entity without written approval from CM Houlder Insurance Brokers Ltd.

# Acknowledgment

<https://insurancemarineneews.com/insurance-marine-news/no-requirement-for-vessels-to-submit-seafarers-nucleic-test-results-before-calling-at-chinese-ports/>

<https://www.porttechnology.org/news/cyberlogitec-implements-opus-terminal-at-quinzouh-terminal/>

<https://www.skuld.com/topics/legal/pi-and-defence/letters-of-indemnity---the-charterers-perspective/>

[https://gcaptain.com/china-shipyards-record-increased-lng-tanker-orders-as-s-korea-builders-are-full-up/?subscriber=true&goal=0\\_f50174ef03-152ac820d8-170463743&mc\\_cid=152ac820d8&mc\\_eid=974e2b2d5c](https://gcaptain.com/china-shipyards-record-increased-lng-tanker-orders-as-s-korea-builders-are-full-up/?subscriber=true&goal=0_f50174ef03-152ac820d8-170463743&mc_cid=152ac820d8&mc_eid=974e2b2d5c)

[https://gcaptain.com/china-exports-collapse-but-car-exports-remain-strong/?subscriber=true&goal=0\\_f50174ef03-31cabce225-170463743&mc\\_cid=31cabce225&mc\\_eid=974e2b2d5c](https://gcaptain.com/china-exports-collapse-but-car-exports-remain-strong/?subscriber=true&goal=0_f50174ef03-31cabce225-170463743&mc_cid=31cabce225&mc_eid=974e2b2d5c)

[https://gcaptain.com/dirty-bulkers-are-now-being-used-to-carry-food-crops-to-asia/?subscriber=true&goal=0\\_f50174ef03-8253af2b9d-170463743&mc\\_cid=8253af2b9d&mc\\_eid=974e2b2d5c](https://gcaptain.com/dirty-bulkers-are-now-being-used-to-carry-food-crops-to-asia/?subscriber=true&goal=0_f50174ef03-8253af2b9d-170463743&mc_cid=8253af2b9d&mc_eid=974e2b2d5c)

<https://response.gv.com/Mail/Click/195?a=394051B275DE0A713915E8896B0F8E2C&r=31BF32926A6A8AD8614C1C815A75BFC9&v=>

<https://www.gard.no/web/articles?documentId=34536140>

<https://www.incegd.com/en/news-insights/maritime-shipping-e-brief-november-2022>