



- English Commercial Court Decision On The Relevance Of Internal 'Hedges' To The Assessment Of Damages For Breach Of Charterparty
- Anti-Technicality Notice: A Charterer's Perspective
- Briefing On The EU's 11th Sanction Package
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HIGHLIGHTS & BRIEFINGS

- Rhine Shipping DMCC v. Vitol S.A. :
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Rhine Shipping DMCC v. Vitol S.A. – Internal Hedge And Assessment Of Charterparty Damages

Case briefing of Rhine Shipping DMCC v. Vitol S.A. (Dijilah) [2023] EWHC 1265 (Comm)

❖ Factual Background

- Rhine Shipping (“Rhine”) voyage-chartered the vessels to Vitol on an amended BPVOY4 form for the carriage of crude oil from West Africa to the Far East.
- When Vitol ordered the vessel to load a cargo in Ghana, the vessel’s bunkers and stores were arrested by a third party claimant who launched London arbitration against the vessel’s bareboat charterer. After provision of security, the vessel proceeded to Djeno and completed loading of Djeno crude oil cargo on 12th May, 2020 and bill of lading (“B/L”) was issued on that date. Had the vessel not been delayed, the vessel could have issued the B/L dated 6th May, 2020.
- For the Djeno crude cargo, Vitol had separately concluded two sale contracts: i) in one contract, as buyer for the purchase of Djeno crude oil from TOTSA, priced by reference to Platts Dated Brent index as at the B/L date; ii) in the other contract, as sellers of the same cargo to Vitol Asia, and the price is per the ICE index at the date of arrival of the vessel for discharge.
- Rhine brought a demurrage claim against Vitol, and Vitol counterclaimed a loss over USD3.5 million due to price increase of the Djeno oil during the relevant period caused by delay. Vitol relied on two charterparty provisions:-

□ Clause 13 stated: “In the event of arrest/detention or other sanction levied against the vessel through no fault of Charterer, Owner shall indemnify Charterer for any damages, penalties, costs and consequences and any time vessel is under arrest/detained and/or limited in her performance is fully for Owner's account and/or such time shall not count as laytime or if on demurrage, as time on demurrage.”

❖ Factual Background (Cont'd)

- ❑ The warranty stated: “Owners represent and warrant that at the time of and immediately prior to fixing the charter, the vessel, owners, managers and disponent owners are free of any encumbrances and legal issues that may affect vessel's approvals or the performance of the charter.”

❖ The Commercial Court's Decision

● Issue 1: Clause 13 Indemnity

The Court held that clause 13 indemnity was established. Although the arrest was of the property on board the vessel instead of the vessel itself, the consequence was the vessel was detained and prevented from leaving Ghana. The fact amounted to a detention “levied against” the vessel, which should fall within the agreed allocation of arrest / detention risks agreed in clause 13.

● Issue 2: Warranty Clause

It was held that the warranty clause was also engaged. It was found that, while the recap expressly defined “disponent owners” and “commercial operators” as other entities, that classification was not intended to define those parties throughout the charterparty. Evidence showed the bareboat charterer also maintained some management duties in respect of the vessel, thus it fell within the group of entities listed in the warranty.

The arbitration proceedings against the bareboat charterer were commenced before the charterparty was concluded, so it was sufficient to constitute legal issues that “may” affect vessels' performance. Use of “may” in the warranty clause sets a low bar.

❖ The Commercial Court's Decision (Cont'd)

● Issue 3 : Mitigation To Damages

In addition to the two sale contracts, Vitol entered into a series of internal swaps to hedge against increases in the purchase price of their contract with TOTSA. The swaps were nominally “purchased” by a separate Vitol portfolio at a price defined by the Dated Brent Index for 7-14th May. Due to the delay caused by the arrest, Vitol “rolled” the swaps so that the pricing dates of the internal hedge matched the anticipated impact on pricing under the TOTSA contract. The rolling of the swaps generated a gain within Vitol’s system of USD2.87 million, albeit it caused a corresponding loss within the separate Vitol portfolio which supplied the swap. The issue was whether Vitol’s losses were reduced by the “profit” made on the internal hedge.

There is case law confirming that the gains made as a result of external hedging transactions are a form of mitigation, hence may be considered in assessing the recoverable damages. However, in this case, the Court found the internal hedge should be distinguished from external hedge as the former is merely a transfer of risks between portfolios by “netting off” notional internal transactions, rather than mitigating or making good any loss. Therefore, the internal hedge is not relevant in assessing the damages.

❖ The Commercial Court's Decision (Cont'd)

● Issue 3 : Mitigation To Damages

Rhine argued that Vitol should have entered into external hedges to mitigate its loss, and where Vitol failed to do so, the incurred loss was too remote to be recoverable. On the expert evidence, the pricing terms on the contracts of sale were usual in the oil trade and internal hedging was also common practice in the trade. Therefore, it was held that Rhine as a carrier of crude oil would have contemplated that Vitol might have had an internal risk management process of the internal hedge, so the loss claimed was not too remote.

The Court also found that the wording of the clause 13 contractual indemnity was wide and the indemnity was not limited by the rules on remoteness of damage.

❖ Comments

- The Court's decision showed the importance of drafting contractual indemnities and warranties clauses with wordings that can reflect the intended risk allocation between the parties.
- The judgment distinguished the different position of internal and external hedge under English law.
- It is also a reminder that an innocent party of the contract only needs to take reasonable step to mitigate its loss, and the breaching party may not easily escape liability for the innocent party's damages by arguing the losses were remote or the mitigation is not sufficient.

Anti-Technicality Notices: A Charterer's Perspective

Owners' traditional remedy in a charterparty when the charterer defaulted payment of hire is the withdrawal of the vessel; this right is not automatic, but through an express anti-technicality clause which is commonly incorporated in the contract.

Usually, an anti-technicality clause is to protect charterers from unreasonable and/or unjust withdrawal, requiring owners to send charterers a prescribed notice ("anti-technicality notice") allowing charterers a specific grace period to make payment.

In practice, when the anti-technicality notice is ambiguous or uncertain, the English Courts and Tribunals would tend to construe it in favour of charterers in consideration of the harsh consequence of a withdrawal.

When being served an anti-technicality notice, charterers are suggested to consider the followings:

❖ **Timing of the anti-technicality notice**

Owners are obliged to serve the anti-technicality notice without delay, and in general practice such notice should be served after midnight on the payment due date. If the notice is served after several days since a default, the notice may be held invalid.

Unless some specific exceptional facts indicate the otherwise, basically a significant delay can be deemed as a waiver of owners' right to withdraw and an affirmation to continue the performance of charterparty.

❖ **Strictly conform to the terms of the anti-technicality notice**

Charterers should check if the anti-technicality notice is in the correct form, as such is a strict obligation on owners. The notice must state clearly and unequivocally that the vessel will be withdrawn if the overdue hire is not paid.

If the notice simply mentions that owners will exercise their rights under the charterparty without specifically referring to withdrawal, this will not be deemed sufficiently clear, and will likely be held to be invalid.

❖ **Whether owners' previous acceptance of late hire payments may prevent them from withdrawing on basis of subsequent late payment.**

If late hire payments have been previously accepted by owners without protest or reservation, owners may have waived or lost their right to withdraw. Having said that, owners' previous acceptance could not be an excuse for charterers' intentional late payments.

❖ Owners' subsequent conducts may affirm the charterparty

Even if owners have served a valid anti-technicality notice, they could inadvertently affirm the CP by their conduct.

For example, in the case of *The Fortune Plum* [2013] EWHC 1355, owners served an anti-technicality notice but further allowed charterers to complete discharging operations notwithstanding the existence of the notice. The Court held owners' conduct affirmed the charter, and their subsequent withdrawal of the vessel was a repudiatory breach of charter so charterer was entitled to damages.

❖ Charterers' bona-fide deduction from hire

Unless the charterparty agrees clearly that no deduction is allowed from hire payment, according to case law *The Nanfri* [1978] QB 927, once charterers can establish the deduction from hire is bona fide and reasonable, owners cannot withdraw the vessel for non-payment, even though it later turns out that the amount of such deduction have been too much.

❖ Comments

Given the above, it is advisable for both owners and charterers to seek legal advice when encountering possible withdrawal of vessel and service of anti-technicality notice, considering risks would be imposed on both sides.



❖ STS Transfers And AIS Manipulation

- From 24th July, 2023, all vessels (regardless of flags) engaging in ship-to-ship (STS) transfers are prohibited from accessing EU ports and locks if there is reasonable suspect that they are in breach of the ban on importing seaborne Russian crude and petroleum products, or breach of the price cap.
- Vessels must notify the competent authority of the EU Member State where they are seeking access to a port/lock at least 48 hours in advance of any STS transfer occurring within the Exclusive Economic Zone or within 12 nautical miles from the baseline of that EU Member State's coast.
- Similar prohibitions apply to vessels suspected of illegally interfering, switching off, or disabling their shipborne automatic identification system (AIS).
- Exemptions are provided for vessels that need access to EU ports and locks for maritime safety, environmental concerns, saving life at sea, and humanitarian purposes.

❖ Transport By Road And Transit Ban

- The prohibition has been extended to transporting goods into the EU by road to trailers and semi-trailers registered in Russia.
- Extends bilateral and multilateral cooperation with third countries by adding the transit ban for certain sensitive goods exported from the EU, which prohibits transit via the territory of Russia the goods and technology which may contribute to Russia's military and technological enhancement or to the development of the defence or security sector.

Briefing On The EU's 11th Sanction Package (Cont'd)

❖ Anti-Circumvention

- A new anti-circumvention tool is introduced to restrict the sale, supply, transfer, or export of sanctioned goods and technology to third countries that are considered to be at continued and particularly high risk of circumvention.
- This anti-circumvention tool, which includes individual designations or adding entities to Annex IV to Regulation (EU) No 833/2014, will only be used as an exceptional and last resort measure when other individual measures and outreach by the EU to concerned third countries have been insufficient to prevent circumvention.

❖ Import-Export Controls And Restrictions

- Expands the list of restricted items that could contribute to the technological enhancement of Russia's defence and security sector.
- Tightens export restrictions by requiring importers of certain sanctioned iron and steel goods that have been processed in a third country to prove that the inputs used do not come from the Russian Federation.

❖ Energy

- The temporary derogation granted to Germany and Poland for the supply of crude oil from Russia through the northern section of the Druzhba oil pipeline ended on 23rd June 2023. However, oil from Kazakhstan or another third country can still transit through Russia and be imported into the EU via the Druzhba oil pipeline.
- The exemption in relation to the Sakhalin-2 Project in Russia will be extended until 31st March 2024 to ensure Japan's energy security needs.
- Derogations have been introduced to the existing prohibitions aiming for the adequate maintenance and operation of the Caspian Pipeline Consortium infrastructure.

Loss Prevention: Contact Damage By STS Transfer Operation

STS operation may take place while both vessels are underway or with one vessel at anchor.

Common factors which contributed to contact or collision between the two vessels include:-

- Adverse weather conditions such as high winds, heavy seas and strong currents. Many incidents occurred when winds reached Force 6 or higher.
- Lying beam on to a long swell while lightering a vessel which was partially aground. With the swell increasing during the operation, vessels may roll up and hit each other.
- Poor communication and misunderstanding between vessels.
- Excessive speed either moving ahead or during the approach when STS is between two underway vessels.
- An insufficient number of fenders, or fenders of an inappropriate type or size, or fender being improperly positioned.

❖ STS Planning and Preparation

- A risk assessment should be conducted prior to every STS transfer, which is not only covering the transfer of cargo, but also all aspects of approach, mooring, unmooring and departure.
- A person in Overall Advisory Control (POAC) should be appointed in advance to oversee and manage the operation, usually it is one of the masters or a trained STS superintendent known as a “mooring master”.
- Unsuitable weather has been a major factor in many STS incidents, therefore it is essential that an evaluation has been done on the anticipated weather, sea and tidal conditions before STS operation. The evaluation should include factors such as weather forecast, required weather window, visibility, direction / height / length of the swell and its effect on vessel movement, wind speed and direction, strength and direction of currents, likelihood of vessel yawing if it is at anchor.

❖ Fendering

The fenders are normally positioned by service craft employed by the STS service provider.

- When fenders are delivered to the vessel, crewmembers should inspect visually to ensure that the fenders and mooring wires are in satisfactory condition.
- Primary fenders should be placed between the vessels' hulls to provide protection and separation while vessels are moored together.
- Secondary fenders should be positioned at the shoulder and quarter to shield the areas that are most exposed to contact damage.
- As the approach speeds can be difficult to control with precision in an offshore environment, it is recommended to use fenders slightly larger than necessary to allow for approach speeds and berthing forces which may be higher than intended.

❖ Mooring

- It is safer for STS operation to take place during daylight. If it is necessary to carry out berthing operation at night, the main deck should be lit, and the fenders illuminated if possible.
 - All navigation lights, shapes and sound signals as required by COLREGS should be displayed and sounded.
 - The engines, thrusters, steering motors and navigational equipment of both vessels should be in full working order and tested prior to the approach.
 - Winches should be tested and spare mooring lines should be ready to hand. Possible snap back zones should be discussed with the mooring team and fire axes or bow saws should be placed at each mooring station to get ready for cutting the lines if necessary.
 - If one vessel is at anchor when carrying out STS transfer, it is the anchor which is opposite to the side where the operation will take place should be used. The master also needs to bear in mind that the anchor will have to hold the weight of both vessels, so a greater length of anchor cable than normal should be required.
- Ensure proper number of mooring lines which will depend on vessel size, freeboard, weather condition, and the lines should not be over-tightened when making fast to avoid pulling the bows too closely together.
 - Ensure sufficient number of crewmembers available at the forward and aft vessel, and key personnel should be provided with walkie talkie to keep good communication.
 - The angle of approach by the manoeuvring vessel should not be excessive. Typically the manoeuvring vessel will head towards the quarter of the other ship and steer a parallel course at a suitable distance away before moving into the desired position.
 - For the manoeuvring vessel, in order to avoid sudden changes in momentum, speed should be controlled by adjusting engine revolution rather than using the engine telegraph. Where available, minor adjustments to the propeller pitch are ideal for making small variations in speed.
 - If the anchored vessel is yawing excessively, employing a stern tug to hold the vessel on a steady heading is recommended. If no tug is available the approach should be delayed until the situation improves.

Loss Prevention: Contact Damage By STS Transfer Operation (Cont'd)

❖ Unmooring

- Prior to unmooring, the secondary fenders should be repositioned, if necessary, as differences in freeboard following the transfer operation may have changed the possible points of contact on the shoulder and quarter.
- When an STS operation has been completed underway, it is customary to position the vessels to let the wind and sea be on the port side. The vessels are then brought head to wind to allow them to separate.
- The order of releasing the lines should be agreed in advance. After singling up forward and aft the manoeuvring vessel will usually release the forward line when instructed and let go the aft line once the bows have drifted apart. Neither vessel should pull ahead or drop astern during the unmooring operation. The use of quick release toggles may minimize the risks.
- If the vessels are yawing excessively after completing an STS operation at anchor, it is recommended to use a stern tug to hold the anchored vessel on a steady heading. If no tug is available, POAC may consider to let anchored vessel heave up and leave the anchorage, and perform the unmooring operation while underway.

❖ Insurance Cover

- H&M insurance: typical standard H&M insurance term such as Institute Time Clauses – Hulls (1.10.83) exclude cargo loading or discharging at sea from or into another vessel (not being a harbour or inshore craft), insurer can avoid claims not only for damage to the insured vessel, but also the claims for collision, general average, salvage and sue and labor. However, it is common in nowadays market that an STS clause is agreed and incorporated into the H&M insurance to extend cover for STS operation.
- P&I insurance: Liabilities arisen from routine STS transfer operation are generally covered under the Club rules, however, a non-routine STS transfer such as lightering a grounded vessel should be discussed with the Club managers for prior approval, as such non-routine STS operation may not be covered if considered to be imprudent, unsafe or improper. Club may also require additional control measures in order to reduce the risks.



Market Snapshot

Gard Warns Of Liquefaction Risks With Unlisted Cargoes

- Group A cargoes can liquefy if shipped with a moisture content above their Transportable Moisture Limit (TML), and P&I Clubs warned the liquefaction risks still exist for cargoes although not listed as Group A cargoes in the IMSBC Code.
- The cause of such liquefaction accidents is usually excessive TML and Flow Moisture Point (FMP), and the cargo had not been tested for flow characteristics.
- P&I Clubs cautioned that IMSBC is not a comprehensive database of all commodities that may be carried on ships, the code does not provide instructions for dealing with cargoes not listed, including obtaining acceptance from the competent authority at the port of loading.
- It is reminded that Section 4.2.2 of the IMSBC Code requires shippers to use the Bulk Cargo Shipping Names (BCSN) when listing cargo, and trade names should only be used as secondary names. This ensures that the Master can confirm that the cargo aligns with the properties listed in the Code.
- If the cargo does not meet the Code's description, Carriers should contact their Clubs for advice. Members are advised to ask for the correct BCSN or acceptance from the competent authority if shippers provide cargo documents without such information.

IMB Raises Concern On Resurgence Of Maritime Piracy In Gulf Of Guinea And Singapore Straits

- According to a 2023 mid-year report by the ICC International Maritime Bureau (IMB), compared to 58 incidents recorded in 1st half of 2022, 65 piracy incidents were reported during the same period of 2023, among which 57 vessels were boarded, 4 were attempted attack, 2 were hijacked and another 2 were fired upon.
- Gulf of Guinea witnessed a concerning surge of maritime piracy incidents in the past half year. Of the 14 reported incidents, 12 were classified as armed robberies and 2 as piracy, predominantly targeting anchored vessels in the region. In these 14 incidents, 14 crewmembers were kidnapped, and in two separate hijackings, 31 crew members were held hostage.
- The risks are also rising in Singapore Straits, where a significant 25% increase of incidents was reported compared to the same period of 2022.
- South and Central American ports accounted for 14% of global incidents, and the threats are mainly at Callao Anchorage in Peru, Colombia, Macapa Anchorage in Brazil, and Panama.

Russia Strikes Ukraine Grain Port After Exiting Export Deal

- After hitting a road bridge in Odesa on 17th July, Russia withdrew from the year-old grain agreement which is brokered by UN and Turkey. A series of attacks continued in Odesa and one of Ukraine's biggest Danube river ports, Reni, which impacted the grain exports from Ukraine.
- Prices for grains and oilseeds have already risen in response to news that Russia would suspend its participation in the grain deal. Wheat futures for September delivery surged as much as 8.6% in Chicago on 24th July, and corn contracts for December rose as much as 5.6% to the highest level in nearly a month.
- Concerns are raised primarily in Africa and Asia of rising food prices and hunger as Russia and Ukraine are among the world's top grain exporters.
- Russia says it could return to the grain deal if its demands are met, such as the reconnection of Russian Agricultural Bank (Rosselkhozbank) to the SWIFT payment system, resumption of supplies of agricultural machinery and parts, lifting restrictions on insurance and reinsurance, the resumption of the Togliatti-Odesa ammonia pipeline and the unblocking of assets and the accounts of Russian companies in food and fertilizer exports.

Container Freight Rates Inch Upward, But Challenges Impede Full Recovery

- Although resources said the container charter market continues to lose strength even at a typical season for retail shippers, market data showed global container freight rates are still marginally exceeding pre-pandemic levels, although costs have risen.
- By mid-July, Drewry's World Container Index composite index points to a marginal 0.9% increase, reaching USD1,488 per FEU. However prices were drastically lower year on year; down 78.7% on the same week in 2022 and now stand at 86% below their peak of USD10,377 per FEU in September 2021.
- Comparing the freight rates with pre-pandemic levels is more favourable, rates remaining 5% above 2019 averages, despite a deluge of newbuildings bringing overcapacity.
- Spot freight rate for some specific routes such as Rotterdam to New York, had declined as much as 12%. Other routes such as Shanghai to Rotterdam, Shanghai to Genoa, Los Angeles to Shanghai, Rotterdam to Shanghai has a minor decline ranging from 1% to 4%. Increases of freight rates were observed in routes of Shanghai to Los Angeles and Shanghai to New York, by 9% and 5% respectively.

Ever Given Report Highlights Suez Canal Pilots' Role in Grounding

- After the grounding of the “Ever Given” at Suez Canal in March 2021, the Panama Maritime Authority, acting as the authority of “Ever Given”’s flag state, has submitted its accident report to the IMO, in which it was found that a combination of factors contributed to the grounding.
- The Vessel Traffic Management System, Suez Canal pilots, and the ship master failed to adequately assess the risk of bad weather conditions, including strong winds and reduced visibility. The ship did not take preventive measures for these conditions, including requesting tugboat assistance or postponing the transit. The non-use of tugboats in the restricted area was cited as contributing to the incident.
- The report was highly critical of navigation decisions made by the pilots. They did not take bad weather conditions into account, and gave improper instructions to the helmsman by only helm orders instead of a course to steer.
- Although Pilots orders were given in English language, the discussion between them was always in Arabic language, therefore the bridge team could not understand pilots’ concerns and the potential hazards.
- The ship was traveling at a speed of 12-13 knots, which exceeds the maximum permissible speed of 8.64 knots for ships in the Suez Canal.
- The ship master should have the ultimate control of the vessel, but he was not actively involved in navigating the ship; although he did intervene at some points during the transit, it turned out ineffective in preventing the grounding.
- The effects of squat (reduction in ship’s draft due to confined water) and bank (interaction between the ship’s hull and the canal bank) also contributed to the loss of maneuverability and grounding.
- The Panama Maritime Authority made several recommendations, including crew training, clear communication during pilotage, evaluating the pilot’s actions, additional internal auditing for operators and managers, specific training courses for transit in the Suez Canal, and training for the bridge team.
- The Suez Canal Authority is advised to review its procedures and regulations, train pilots to maneuver larger vessels, impose English as the working language, and implement a system of alerts and contingency plan procedures.

Key US Grain Exports Could Fall 15% In 2023, Brighter Outlook Ahead

- According to the United States Department of Agriculture (USDA), soybean and maize yields in 2022 declined 4% and 9% year-on-year in volume respectively, and statistics showed that US soybean, maize, and wheat exports could fall 15% in 2023.
- Being the second largest soybean and maize exporter, the US affects global supplies significantly. While the loss of US soybeans has been compensated by a large harvest in Brazil, replacing shortage of US maize yields has been more challenging.
- Experts estimated that global grain shipments would decrease 4% year-on-year in the first 7 months of 2023. As grains account for 23% of panamax cargo, a deterioration of panama spot rates has been witnessed, and the Baltic Exchange's Panamax Index reached the lowest point in July since 2016. However, as shipments of a record Brazilian maize harvest ramp up this month, rates could improve.
- USDA estimated a 1% and 12% year-on-year increase in the 2023 soybean and maize harvest respectively, therefore shipments out from US may rebound in the fourth quarter this year.

MAN And WinGD Achieved Milestone With Ammonia Engine For Use Of Commercial Ships

- MAN Energy Solutions ("MAN ES") has announced in mid-July the successful first test of a two-stroke marine engine on ammonia fuel, showing the progress in the development of a full-scale ammonia engine, for helping achieve decarbonization in the shipping market. It is foreseen that around 27% of fuel used onboard large merchant-marine vessels to be ammonia by 2050.
- MAN ES will need more follow-ups works including executing a testing program regarding heat-release, ignition, safety, pilot-oil energy fraction, NOx and N2O emissions. They plan on rebuilding the test engine from one cylinder to a full-scale test engine running on ammonia around the end of 2023 or early 2024, and aim to have its first ammonia engine in use on a commercial vessel by 2026.
- A week after MAN ES's announcement, Swiss marine power company WinGD declared that it would deliver its first dual-fuel ammonia engine in early 2025, paving the way for the first ammonia-powered ship to enter service from 2026.
- WinGD has collaborated with engine and shipbuilders in China, Japan and Korea to develop its dual-fuel ammonia engine. In 2023 January, it announced a partnership with CMB.Tech, a sister company of Belgian shipowner CMB, to develop ammonia-fuelled engines for ten 210,000 DWT bulk carriers.

Tankers: Argentina Emerging As Crude Oil Export Destination

- According to market sources, Argentina's primary shale region witnessed drilling and exploration activities resumed and increased since 2021 after a pause in 2020. Consequently, Argentina's domestic production is estimated to rise from 500kbd (prior to the pandemic) to 780kbd in 2023, and further to 1mkb by 2028, but considering price sensitivity of shale production, the total output would finally depend on oil market dynamics over the next 5 years.
- With Argentina's production capacity expanded recently, the country is expected to contribute more in export of seaborne crude cargo for its incremental barrels, as its domestic demand remains stagnant.
- Currently, most of the Argentinian crude exports head out of Puerto Rosales on Panamaxes or Caletta Cordova on Suezmaxes, but Argentina's state-owned oil company YPF is in the early stages of a USD1.2 billion project to export up to 380kbd on VLCCs and Suezmaxes from the Atlantic Coast, and if going well, the existing ageing Panamax fleet would gradually be replaced.
- Another new export route is via the 110kbd Trans-Andean pipeline that has been recently reopened for transferring Argentinian production to the Bio Bio refinery (ENAP) at San Vicente in Chile.

China Dominates Global Shipbuilding Industry In H1 2023

- According to China's Ministry of Industry and Information Technology (MIIT), China's shipbuilding industry has taken the lead in three major indicators among global competitors in the first half of 2023.
- Chinese shipbuilding industry's ship completion amount, volume of newly received orders and volume of orders on hand accounted for 49.6%, 72.6% and 53.2% respectively, making China the only country that experienced growth in all these three major indicators.
- From January to June, China's ship completion reached a record of 21.13 million tons, representing a 14.2% increase year-on-year. The volume of newly received orders reached 37.67 million tons, showing a significant increase of 67.7% year-on-year.
- By the end of June, the volume of orders on hand of Chinese shipbuilders reached 123.77 million tons, marking a 20.5% year-on-year increase, with 92.8% of these orders being for export.

Hong Kong Convention On Ship Recycling Ratified, Coming Into Force In 2025

- The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (“HKC”) was adopted in 2009, as IMO decided to develop a legally binding framework on ship recycling in consideration of the need for an effective and globally applicable instrument for this industry.
- The HKC would require ratification by 15 States, representing 40% of world’s merchant shipping by gross tonnage and with combined maximum annual ship recycling volume no less than 3%. As HKC has recently been ratified by Bangladesh and Liberia, the ratification conditions were met and HKC will entry into force on 26th June 2025.
- Once implemented, HKC will require each ship (within HKC’s scope) of or above 500 GT to have a certified Inventory of Hazardous Materials (IHM) onboard.
- Each party to HKC shall establish a mechanism for authorizing Ship Recycling Facilities (SRF) to ensure such meet the requirements of HKC. Such an authorization is called a Document of Authorization Ship Recycling (DASR) and will be valid for maximum 5 years. Authorized SRFs shall only accept ships that comply with HKC.
- Each SRF shall prepare a Ship Recycling Facility Plan (SRFP) which shall include a system for ensuring implementation of the HKC requirements, such as 1) policy for ensuring safety and protection of the environment; 2) a training programme for the safe and environmentally sound operation of the SRF; (3) an emergency preparedness and response plan; (4) a record-keeping system; (5) system for reporting emissions, accidents, incidents, occupational diseases and other adverse effects to workers’ safety and the environment.
- Shipowners and managers, shipyards and ship recycling facilities are recommended to familiarize themselves with the compliance requirements of HKC.

Happy Reading, See You In August !

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