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The Ballast Water Management challenge

Ballast water discharges by ships have long been a concern to the world's governments, port authorities as well as ship owners. Roughly thirteen and a half years after its adoption in 2004, the BWM Convention is finally set to enter into force on September 8th 2017 framing one of the longest debates over an IMO convention. As of August 2016 official data, the USCG has granted about 9.636 extensions to implementation date on the basis that no USCG type approved BWMS are available. While another 625 applications are still in the "received" status, 65 such extensions have already expired and no USCG type approvals took place yet. It is only rational to conclude that US regulations cannot be practicably implemented at least for now; and this led to allowing for supplementary extensions. Now, the IMO regulations case differs in that there are 65 IMO type approved systems already. Although, the inconsistency with the US regulations in conjunction with a tight implementation schedule pose significant practicability issues, especially in the current difficult economic climate.

By now, it is commonly accepted that the original timeline is unrealistic and outdated given that the convention was expected to enter into force earlier. IMO recognized the difficulties arising from the implementation of the Convention and encourages member governments to cooperate and establish meaningful measures which would ease the burden for the shipping industry. Nonetheless, the Marine Environment Protection Committee works towards formalizing a "pragmatic implementation schedule" and in fact it is expected to adopt, at its next session, an amendment that sets the first IOPP renewal survey after entry into force as the due date for compliance with the D-2 standards, for ships constructed before the entry into force of the Convention. However discussions on the implementation of the Convention are still ongoing and the de-harmonization of IOPP seems to be the first item on the agenda. Otherwise, the deadline for some owners may still come before a USCG type system becomes available making the USCG face up to the grandfathering of IMO type systems dilemma.

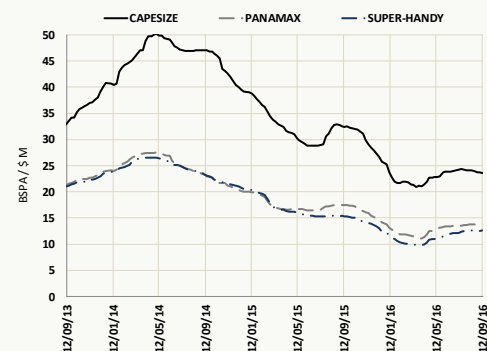
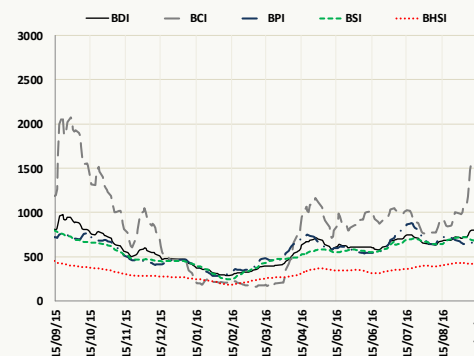
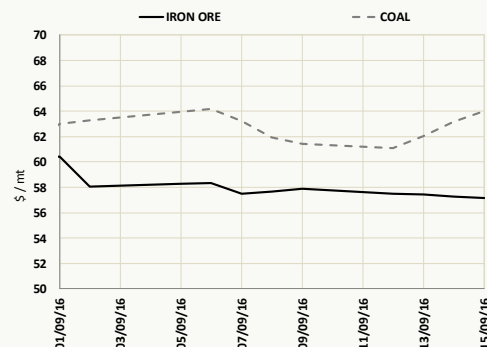


Dry Market

The Chinese iron ore price dropped further during the week due to weakening demand and increasing supplies. However, coal prices were supported after Wednesday by higher utilities demand and predictions for higher burn rates and gas prices. In the meantime, grain prices were supported by bargain buying and expectations for stronger demand out of US, after moving downwards on Monday's USDA forecasts for the US harvests.

The BDI weakened this week and closed yesterday at 764, 28 points down from last Thursday's closing, mainly on the back of lower rates for Supramax vessels. The activity out of US declined further as well as the demand from FEAST. Capesize rates dropped after the gains recorded last week but the week ended with a positive note on the back of increasing trade in the Pacific as well as in the Atlantic. By contrast, the Panamax index slipped on declining activity in both the Atlantic and the Pacific. Finally, the Handysize index remained nearly flat. Overall, Capes currently earn \$9.618 /day, Panamax vessels are trading at \$5.173/day, whereas, Supramax and Handysize ships are earning \$6.917/day and \$5.991/day respectively.

The interest in the SnP market remains in the Supramax and Hany/Handysize sectors in terms of enquiries and inspections. However, 12 bulkers changed hands this week among them the bank driven enbloc sale of 4 modern Post-Panamax vessels at \$38m. So far this year, we reported 18 Post-Panamax sales whilst 88 Supramax and another 90 Handy to Handy/Handysize vessels also changed hands. Finally, the demolition market remained quiet with 2 old Handy bulkers reported sold for scrapping.



Wet Market

Oil prices were slightly supported by the weakening dollar but on Tuesday edged down again on concerns over increased drilling in the United States. Meanwhile, the OPEC price settled at \$41.67 a barrel yesterday; that is a 6.6% decrease from last Thursday's closing; and returning Libya and Nigeria supplies spurred a wave of new stoke glut concerns.

The BDTI progressed further this week and closed yesterday at 555, 19 points up from last Thursday's closing. Crude oil demand from USG slowed down, but the Suezmax routes out of Black Sea and West Africa showed a large boost. Also, the DPP trade in the Mediterranean gained more than 30% to stand at WS92.78. Overall, VLCCs trade at about \$15.314/day in the MEG-Japan route, and at \$2.658/day in the MEG-USG route, Aframaxes earn about \$10.812/day on average, whilst Suezmaxes trade at \$16.858/day in the WAF-Cont. route and at \$12.174 in the Black Sea-Med route. On the clean side, the BCTI declined and closed at 386, 30 points down from last week as some fresh cargo in the USG to Cont. route could not make up for the weakening demand elsewhere.

The SnP as well as the demolition market remained quiet for yet another week. However, in the newbuildings front, we reported 3 new deals for 5 tankers. Amongst them the order for 2 Aframax tankers placed at Hanjin HI Subic in Philippines. While this is the first order placed this year, the shipyard has a total of 25 vessels on order - most of which containers and 4 VLCCs -, whilst Hanjin HI (Yeongdo) in S. Korea has another 9 vessels on order.

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