Middle East Logistics and Consultant Group

NEWSLETTER

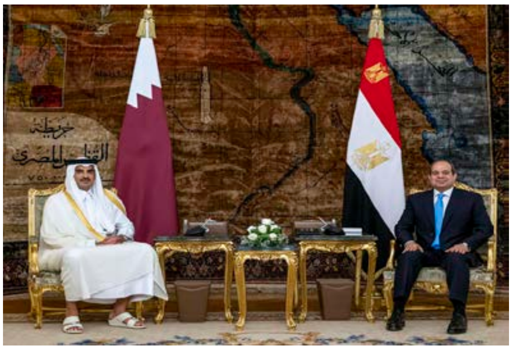
July 2022

Flourishing Gulf Investment

Egypt is looking to leverage its political relations with Arab Gulf countries and secure financial and investment support to offset the negative impacts of the Russia-Ukraine crisis.

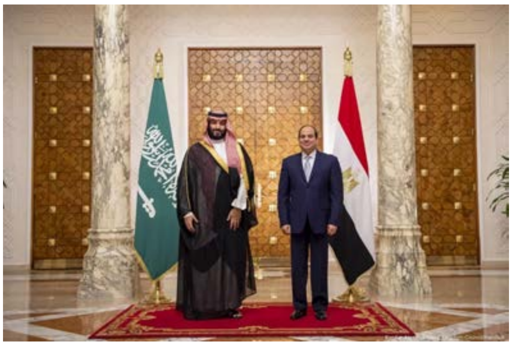
Egypt's leader on discussed energy and investment with Qatar's emir, who was in Cairo for the first time since the countries restored relations following a Saudi-led rift.

Emir Sheikh Tamim bin Hamad Al-Thani told President Abdel Fattah Al-Sisi that his country was keen to maximize Qatari investments in Egypt and take advantage of the vast investment opportunities available. The pair discussed developing cooperation in various fields, especially in the energy and agriculture sectors, and in trade and investment, "particularly the flow of Qatari investments towards Egypt.



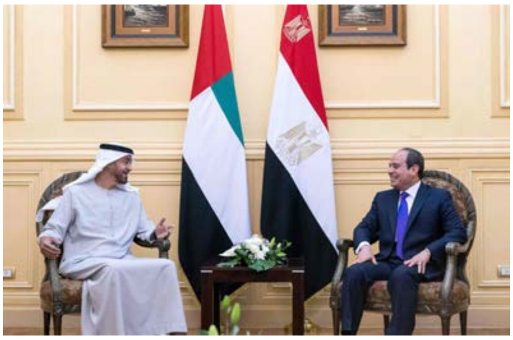
At the same time, Qatari hydrocarbon giant Qatar Energy announced an agreement with ExxonMobil to acquire a 40 percent stake in a gas exploration block off Egypt in the Mediterranean.

Doha and Cairo – key US allies in the Middle East – have both provided reconstruction aid to the territory and have been involved with mediation efforts between Israel and the Gaza Strip's Islamist rulers Hamas.



The two leaders also welcomed next month's Gulf Cooperation Council summit in Saudi Arabia that will also be attended by the leaders of Egypt, Jordan, Iraq and the US, the presidency statement said.

The emir's visit comes just days after Saudi crown prince Mohammed bin Salman this week conducted a regional tour taking in Egypt, Jordan and Turkey.



The Saudi Crown Prince Mohamed bin Salman visited Cairo to sign a number of economic and investment deals during the crown prince's trip. Saudi and Egyptian companies signed agreements worth a total of $7.7 billion during the visit, state media in both countries said. Saudi Arabia ordered a $5 billion deposit with the Central Bank of Egypt. The step underlines the solid bilateral relations between the two countries at all levels and illustrates Saudi Arabia's commitment to supporting Egypt in all circumstances.

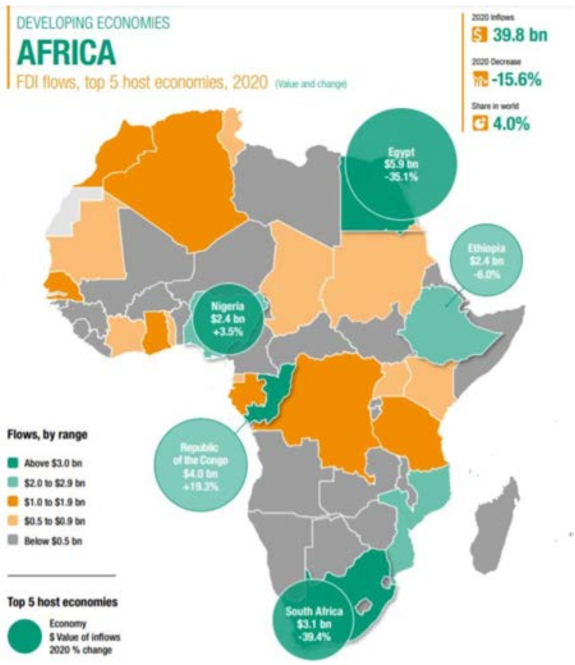
Cairo is also looking to capitalise on Egypt's political relations with the UAE. Egypt Prime Minister visited Abu Dhabi to sign the Industrial Partnership for Sustainable Economic Growth agreement with the UAE and Jordan. the deal heralded a new era of opportunity for the three countries to boost economic growth in five key sectors — food and agriculture, fertilizers, pharmaceuticals, textiles, minerals, and petrochemicals.

UAE is looking forward to increasing its investments in Egypt to $35 billion over the next five years.

Egypt attracts $1.66 billion in foreign investments in 3 months and remains the top recipient of FDI in Africa for the 5th year in a row

A Central Bank report on the performance of the balance of payments indicated that net foreign investment in Egypt increased during the first quarter of the current fiscal year 2021/2022 by 3.7 percent, on an annual basis, rose to $1.66 billion compared to $1.6 billion during the same period last fiscal year.

The report showed that foreign direct investments in the non-oil sectors rose by $473.7 million to record $2.2 billion during the three months, as a result of the increase in net retained earnings and the surplus in credit balances at a rate of 24.7 percent to reach about $1.5 billion.



It also came as a result of the increase in net remittances to purchase real estate in Egypt by non-residents by $103.2 million to record $231.1 million during the first quarter of the current fiscal year, as well as the result of selling companies and production assets to non-residents by $32.2 million to record $56.7 million during the period, and an increase in capital and net inflows for the purpose of establishing new companies by $38.3 million to record $351.6 million, including $87.1 million for establishing new companies.

As for the petroleum sector, the net outflow of investments in the petroleum sector increased during the first quarter of the current fiscal year to reach $489.2 million, compared to $75.3 million during the same period last fiscal year.

This came as a result of a decrease in the total inflow to be limited to about $1.2 billion during the three months, compared to $1.56 billion during the same period of the last fiscal year.

It also referred to the increase in remittances abroad to reach $1.7 billion compared to $1.63 billion during the comparable period of the last fiscal year, which represents the recovery of costs borne by foreign partners during previous periods in research, development and operation.

Egypt has remained as a top recipient of foreign direct investment in Africa for the fifth year in a row in 2020/2021, reaching $5.9 billion, which represents 53 percent of foreign direct investment directed to North Africa.

Egypt has improved the business environment, which includes benefiting from and building on institutional and legislative reforms, such as the new investment and bankruptcy laws, as well as amending the Public-Private Partnership Law, amending the Capital Market Law.

Egypt has also launched the National Structural Reform Program, which includes a set of supporting pillars like: increasing the relative weight of sectors Industry, agriculture, communications and information technology in the Egyptian economy, in addition to improving the efficiency of the labor market and technical and vocational education and training through developing the technical education and vocational training system.

A report by the Ministry of Planning and Economic Development revealed that despite the challenges posed by the Corona crisis; Egypt remained at the forefront of foreign direct investment in Africa.

The report indicated that foreign direct investment increased in the first quarter of 2021/2022 by 4 percent, with inward investment in non-petroleum sectors increasing by 28 percent, including: industry, financial services, construction, information technology and communications,

The report indicated that the United Kingdom accounts for 34 percent of the total foreign direct investment, followed by the United States.

The Egyptian Participation in the St. Petersburg International Economic Forum (SPIEF)

On behalf of President Abdel Fattah El-Sisi, Minister of Trade and Industry inaugurated Egypt's pavilion at the St. Petersburg International Economic Forum (SPIEF) which, held on June 15–18.

Egypt is participating in this year gathering as a guest of honor through a distinguished pavilion reflecting the importance of its identity and civilization.

According to a statement issued by the Ministry of Trade and Industry, minister will hold meetings with officials in charge of companies taking part in the event.

According to a press release by the Ministry of Trade and Industry, Russian Industry and Trade Minister Egyptian Ambassador in Moscow and head of the Egyptian Commercial Representation Service attended the pavilion's inauguration.

The Egyptian Minister said the pavilion was designed in a way that reflects the Egyptian identity and culture, noting that it will showcase available investment opportunities at the Russian Industrial Zone in Egypt.

Israel and Egypt sign MoU with EU to boost gas exports to Europe

Egypt, EU and Israel signed in Cairo a framework agreement to export natural gas from Israel via Egypt to Europe. Egyptian Minister of Petroleum and Mineral Resources, EU Commission for Energy and Israeli Minister of Energy – and looking is the President of the European Commission.

"With this agreement we will work on the stable delivery of natural gas to the EU from the East Med region. This will contribute to our EU energy security. And we are building infrastructure fit for renewables – the energy of the future," tweeted the President of the European Commission..

In a joint news conference, Egyptian Minister said that the agreement is an important step to boost the relations EU in the East Mediterranean region between Egypt, Israel and the EU.

Meanwhile, Egypt and Israel have committed to exchange natural gas with Europe to help in facing the current energy crisis.

the agreement with the EU would continue for three years with an automatic two-year extension. The forum comprises Egypt, Palestine, Jordan, Greece, Cyprus, Italy, and Israel.

In early June, the EU Commissioner for Neighborhood and Enlargement explained that as per the agreement, gas would be brought from Israel to the EU after being liquified in Egypt.

During her visit to Israel von der Leyen tweeted "Tomorrow we'll take an important step, with the signing of a trilateral agreement on gas between Israel, the EU and Egypt. And we will join forces to help protect the world from a major food crisis."

The MoU also includes the possibility of using the existing pipeline between the two countries to transport hydrogen in the future.

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IMO Clamps Down on Dirty Fuel in Mediterranean Sea

Shipping's global regulator ruled that vessels must slash the sulfur content of fuel used for voyages in the Mediterranean Sea, as part of wider efforts to clean up the industry. The maximum allowed sulfur content of marine fuel in the region will drop to 0.1%, likely from the spring of 2025, a spokesperson for the International Maritime Organization said.

The decision, made at this week's virtual IMO meeting, sets a tighter limit than the current global mandate, and will reduce air pollution, benefiting human health and the environment. The IMO in 2020 dramatically cut the worldwide sulfur limit on marine fuel from 3.5% to 0.5%, forcing shippers to stop using an old, dirty product they'd relied on for decades or invest in special onboard cleaning systems That anticipated change caused sharp price moves in some fuel markets and raised concerns about the availability of fuel and ship safety, though those fears proved largely unfounded.

The latest rule covers a much smaller area, but could still have some sizable benefits. It's set to prevent more than 1,000 premature deaths and 2,000 cases of childhood asthma annually, according to a proposal that was submitted to the IMO before the meeting by multiple countries, including France, Italy and Turkey.

More than 30,000 vessels operate each year in the Mediterranean, a major route for oil tankers and also important for ships carrying consumer goods and other commodities like grains, according to the proposal. The air pollution from ships impacts more than just ports and coastlines: it's also carried hundreds of kilometers inland. The precise date at which the regulation for the Mediterranean comes into force — after which ships will have 12 months before they need to start complying — is set to be confirmed at another IMO meeting this December, where the rule faces the regulatory hurdle of adoption.

As well as by using cleaner marine fuel, ships can also comply with the new rule by using exhaust gas cleaning systems, known as scrubbers, if approved by their flag state.

Low-sulfur gas-oil supplies are currently being affected by the war in Ukraine, as many southern European countries had been importing the fuel from Russia to cover demand and blending needs, said Soren Holl, chief executive officer of marine fuel trader and broker KPI OceanConnect.

DP World, Mawani Sign 30-Yr Agreement To Build Logistics Park At Jeddah Islamic Port

DP World and the Saudi Ports Authority (Mawani) announced the signing of a 30-year agreement with an investment value of more than SAR 500 million ($133.33 million) to build a state-of-the-art, port-centric Logistics Park at the Jeddah Islamic Port.
The agreement aims to establish a logistics park which spans over 415,000 square meters, with an in-land container depot capacity of approximately 250,000 TEU and warehousing storage space of 100,000 square meters. Future expansions could increase the storage space to 200,000 square meters.
The 415,000 square meter purpose-built facility will bolster DP World's footprint in the region and will bring pioneering multi-modal logistics solutions to the Kingdom of Saudi Arabia.

DP World Reports Nearly 10% TEU Growth in 2021

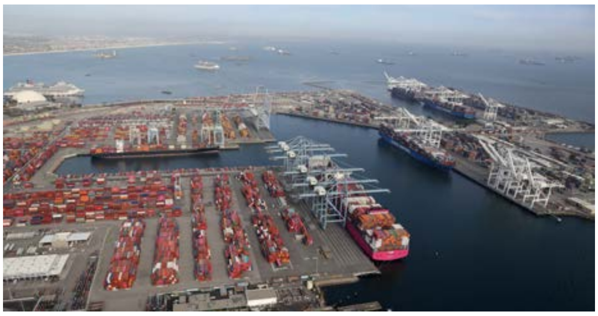
Dubai-based ports operator DP World reported nearly 10% higher volumes in 2021 with strong volume growth across just about all regions.
DP World reported handling 77.9 million TEU across its global portfolio of container terminals in full year 2021, with gross container volumes increasing by 9.4% year-on-year on a reported basis and up 8.9% on a like-for-like basis.

The ports operator said growth was "broad based" with India, Asia Pacific, Middle East & Africa, Europe, Australia and Americas regions being the key growth drivers.
At a consolidated level, DP World terminals handled 45.4 million TEU during 2021, increasing 8.8% on a reported basis and 8.1% year-on-year on a like-for-like basis.
More growth is expected in 2022, but risks abound with the Covid-19 pandemic, continued supply chain disruptions, rising inflation and geopolitical uncertainty.

DP World Kicks Off Construction on Congo's First Deepwater Port

President Felix Tshisekedi launched the construction of the country's first deep-water port, a $1.2 billion project that has drawn criticism for being built on the edge of a protected wetlands.Banana Port, to be built by Dubai's port giant DP World , will border Congo's Mangrove Marine Park.
The port at Banana, a sandy spit of land at the mouth of Congo River, will process 322,000 containers per year.
In December DP World said the first phase of the port will include a 600-meter (1,968.5-foot) quay with an 18-meter (59-foot) draft, to be completed in 12 months.
Congo's main port at Matadi, which lies around 120 km (75 miles) upstream from Banana, is not deep enough to handle the larger vessels from Asia and Europe, requiring cargo to be transferred to smaller ships at neighboring Congo Republic's Pointe Noire port.

World Shipping Council Responds to Ocean Shipping Reform Act Enactment



U.S. President Joe Biden has signed into law the Ocean Shipping Reform Act of 2022, the first major change to federal regulations related to the international container shipping industry in more than two decades as the Biden Administration tries to reign in the nation's highest inflation in 40 years.

The Ocean Shipping Reform Act gives greater authority to the Federal Maritime Commission (FMC), the independent federal agency responsible for regulating international ocean shipping, to regulate certain ocean carrier practices while helping to promote the growth and development of U.S. exports "through a maritime system that is transparent, efficient, and fair." Text of the bill can be found here.

While many lawmakers tout the bill as an key measure that will help combat one of the biggest sources of inflation, relieve pressure in the supply chain, and unclog the nation's ports, thereby lowering costs for American consumers and businesses, not everyone is sold that the bill will drastically solve the root issue that has sent shipping freight rates soaring during the pandemic; surging U.S. imports prompted by the COVID-19 pandemic that have overwhelmed the capacity of U.S. ports and infrastructure.

One of those skeptics is the World Shipping Council, which shouldn't come as a surprise considering the WSC represents international (i.e. foreign) ocean carriers that have been blamed for exponentially rising shipping costs. However, the WSC's position also gives them unique insight into a global industry that continues to confound the general public and even lawmakers.

Sovcomflot finds class and insurance solutions to keep trading internationally

Faced with an ever growing range of sanctions in the near four months since war began Moscow has had to get creative to ensure its ships are able to trade internationally. Russian shipping has come up with both domestic and Asian solutions to keep its fleets operating during the ongoing war with Ukraine.

State-run Sovcomflot revealed that it has got all of its ships now covered via Russian insurers after western P&I clubs dropped the company in the face of sanctions. In terms of reinsurance, Sovocomflot is now covered by state-run Russian National Reinsurance Company. Likewise, many Russian ships have switched classification societies in recent months. The International Association of Classification Societies (IACS) shows more than 50 Russian ships, including many from Sovcomflot, have moved to be classed by the Mumbai-headquartered Indian Register of Shipping (IRClass). Indeed, for Q2 this year, IRClass, which is an IACS member, can claim to be the fastest growing classification society in the world.
India has upped its buying of Russian crude a great deal in the opening months of the invasion of Ukraine, helping offset the losses to Moscow's coffers from the drop in European custom.
Tanker broker Poten & Partners suggested in its most recent weekly report that if Russia can solve its ship insurance issues, crude trade with Asian buyers will likely continue to grow, something it viewed as positive for suezmax tankers for Black Sea exports and for aframaxes for reverse lightering and VLCCs for Baltic Sea exports

MSC identified as charterer of high-priced ultra-large vessels

MSC has been linked to the recent high-priced orders for four 23,000 TEU LNG-fuelled ships placed by Japanese tonnage providers at Imabari Shipbuilding. Two of these were placed by Doun Kisen, while the other two were ordered by Shoei Kisen Kaisha and Nissen Kaiun, all for delivery in late 2024 to mid-2025.

It is the first time that a Japanese shipyard is building a large LNG-fuelled container ship, as Japanese owners and shipyards have maintained a very conservative stance on gas propulsion and have preferred conventional propulsion fuel oil, fitting scrubbers to comply with the IMO's emission regulations.

With a reported price tag at US$255 million each, box-ship new-buildings have hit new highs, as yards seek to cover rising costs amid global inflation.

While MSC's practice is not to discuss new-building orders, the Swiss-Italian liner operator, which surpassed Maersk Line at the top of the rankings in January, has also been leading in the order-book, with 105 ships of 1.06 million TEU. Currently, MSC's in-service capacity stands at 4.42 million TEU, made up of 343 owned ships and 333 chartered vessels.

MSC already has fourteen 23,000 to 24,000 TEU ships on order from Chinese shipyards, comprising six vessels at Yangzijiang, and four each at Hudong-Zhonghua and Jiangnan.

VesselsValue Says Shanghai Port Congestion Remains at Seasonal Norms

Shanghai port congestion remains at normal season levels, even as COVID-19 lockdowns have been reimposed throughout much of the city, according to new data from VesselsValue.

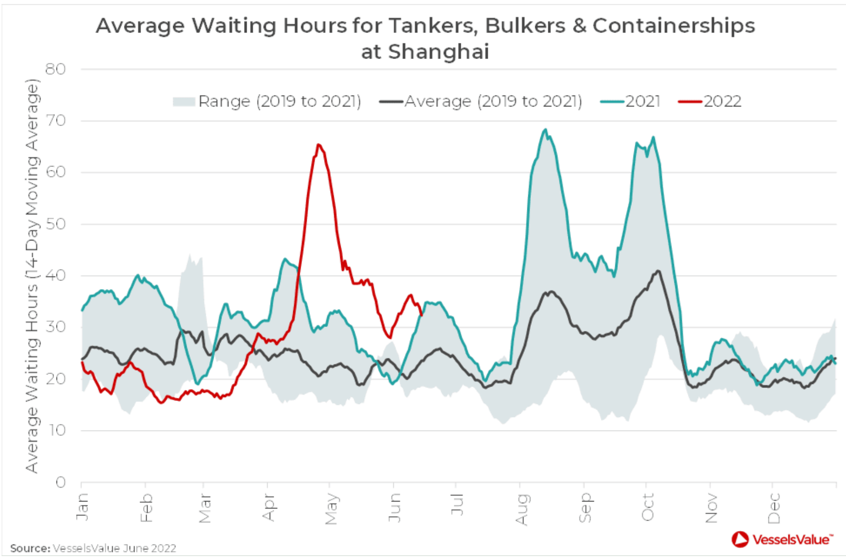
Average wait times across vessel sectors—tankers, bulkers and containerships—has been falling steadily since peaking in late April at 65 hours as Shanghai re-emerged from two months of lockdowns. Despite lockdowns being reimposed in 13 of the city's 16 districts, congestion is now back within normal levels.

Containerships, the most frequent users of the world's largest port, reached a peak waiting time of 69 hours in late April at the height of the Omicron wave, but have since reduced back down to 2021 levels and are currently trending around 34 hours and continuing to fall, according to VesselsValue.

Tankers and bulkers have experienced short-lived levels of heightened congestion, however both have also returned to seasonal norms.

"As much of Shanghai re enters lockdown, factors such as staff absences that caused congestion to rise in early April do not appear to be such a significant problem this time. Instead, labour strikes in Germany are beginning to lengthen waiting times at Bremerhaven and Wilhelmsen, though curiously not yet at Hamburg," VesselsValue said in its update.

VesselsValue ends its update posing the question: "Will Northwest Europe become the next big bottleneck for global supply chains?"



Port Congestion to Keep Spot Freight Rates High Into 2023, Executives Say

Global port congestion is set to continue until at least early 2023 and keep spot freight rates elevated, logistics executives said, urging charterers to switch to long-term contracts to manage shipping costs.

The COVID-19 outbreak has lengthened ship delivery times since 2020, pushing up freight costs, while the Russia-Ukraine conflict and lockdowns in Shanghai have added to supply chain disruptions this year.

"We believe the current congestions, not only the ports but also the land-side infrastructure, will be there at least till Q1 2023," said Peter Sundara, head of global ocean freight product for the global logistics division at Visy Industries.

While more vessels could be added to the global fleet next year, this does not mean that freight rates will drop broadly as it depends on how ship carriers allocate increased vessel capacities, he told the S&P Global Platts Bunker and Shipping Summit.

Eric Jin, head of investment support at industrial equipment supplier BMT Asia Pacific, said rising shipping costs, longer transit times and higher uncertainty will be the "new normal" for the shipping industry.

Spot chartering rates have held firm so far this year, with supply chain disruptions and port congestion affecting ships globally, particularly in the United States and China.

The executives recommended charterers sign longer-term contracts with shipowners to overcome issues of volatile cost and availability.

Baltic Dry Index Falls to 2-Month Low

The Baltic Exchange's main sea freight index extended its retreat on Monday, touching a near two-month low as vessel segments dipped.

Lower Baltic rates would normally signal lower shipping costs, but in the wake of the coronavirus pandemic the price to transport of goods and raw materials by sea has rocketed as a result of supply disruptions and bottlenecks.

- The overall index, which factors in rates for capesize, Panmax and Supramax shipping vessels, lost 60 points, or 2.6%, to reach 2,260 points, its lowest level since April 21.
- The capesize index .BACI dipped 125 points to 2,246, a fall of about 5.3%.
- Average daily earnings for capesize, which typically transport 150,000-tonne cargoes such as iron ore and coal, decreased by $1038 to $18,627.
- The Panmax index .BPNI dropped 29 points, or 1.1%, to 2,600 points.
- Average daily earnings for Panmax, which usually carry coal or grain cargoes of about 60,000 tonnes to 70,000 tonnes, dropped by $259 to $23,403.
- Benchmark iron ore and steel futures fell as fresh COVID-19 outbreaks in China revived fears of lockdowns dampening demand in the world's top steel producer.
- The supramax index .BSIS lost 32 points to 2,463.

Russia Offers Safe Passage to Ukrainian Grain Ships as Turkey Floats the Possibility of Mine-Free Corridors

Russia U.N. Ambassador said it has offered "safe passage" for Ukraine grain shipments from Black Sea ports but is not responsible for establishing the corridors and Turkey suggested that ships could be guided around sea mines.

Ukrainian grain shipments have stalled since Russia's invasion and ports blockade, stoking global prices for grains, cooking oils, fuel and fertilizer.

The United Nations is trying to broker a deal to resume Ukraine exports and Russian food and fertilizer exports, which Moscow says are harmed by sanctions.

Turkish Foreign Minister said it would "take some time" to de-mine Ukraine's ports but a safe sea corridor could be established in areas without mines under a U.N. proposal. Ankara was still awaiting Moscow's reaction to the plan, he said.

The U.N. has been "working in close cooperation with the Turkish authorities on this issue," said U.N. spokesman Stephane Dujarric.

News brief

- Large bulkers find 'floor' as sentiment improves later in the week.
- EU Seeks To Release Ukrainian Grain Stuck Due To Russia's Sea Blockade.
- Venezuelan Oil Exports to Europe Set to Resume After Two Years -Sources.
- JPMorgan Says Waiving the Jones Act Unlikely to Ease Pain at the Pump.
- China Launches Its First Modern Super-carrier.
- Lloyd's Register Finds 'Significant' Efficiency Benefits for Newcastlemax Bulk Carrier Design Featuring Rotor Sails.
- Shippers fear higher freight costs due to carbon tax.
- Hapag-Lloyd adds Le Havre port to WAX service rotation.
- Schlumberger and Subsea 7 seal Moroccan FEED deal with Chariot.