



Weekly Commentary

The Old and the New: Shrouded in the mists of history

We'll get to the future of the energy world in a minute- but first, in a slightly backward look, I was delighted to see that the 1938 built tanker MARY A WHALEN has moved on step closer to being listed in the National Register of Historic Places, having received a rousing endorsement from a New York office that vets old properties (and, now, it would seem, aging fuel tankers) prior to joining the national list. The vessel, docked in Red Hook, Brooklyn at PortSide New York, is being spruced up by a group of volunteers - a group of students from New York public schools. Short term, they need donations for the vessel overhaul (it will be a floating and portable venue promoting waterfront culture around New York harbor), and longer term- they are seeking relationships with maritime and financial businesses. I would encourage shipping veterans and businesses to take a look, and, if possible, to get involved.

What does an old vessel, no longer hauling its cargoes of fuel oil around New York harbor and neighboring ports, have to do with ongoing tanker trades that readers are interested in? New York harbor is a microcosm, of sorts, for what's happening- or not, in the trades. The big owners of such craft around New York have consolidated; but business combinations have hardly been a magic bullet, talisman, or whatever (rabbit's foot) for the likes of Spentonbush (which was part of Hess, before it went to Hornbeck) or Eklof Marine (which became K-Sea, now recently acquired by Kirby Corporation). Reinauer, another stalwart in the business, has moved towards the port infrastructure and shipyard businesses. Bouchard, also privately held (like Reinauer), seems to have developed a nice niche with ATB's (articulated tug barges) in coastwise trades.

There are multiple messages here, and I am not positive that reasoning by analogy truly applies. But, the New York experience says that players can be small and specialized, or they can be large by virtue of vertical integration. Midsized companies, without some type of specialization or distinctive competence (which might simply be an unusually good relationship with oil companies), are at the whims of markets that are commoditized. To some extent, that's been happening across the shipping sectors, and when the supply comes on (as it always does in shipping cycles), it's hard for shipowners to remove themselves from the crossfire. As an aside, increased oil flows from Saudi Arabia's spigots might chip away at the nearby surplus, but will not be a game changer for tanker markets.

So, what to do? Movements of crude oil (and coal, for drybulk readers) will be with us for quite a while; there will be fortunes made, and lost, in the cyclical interactions of supply and demand. But, around the edges, longer term shifts are at work. Last week, the Paris-based International Energy Association (IEA) released a special report titled "Are We Entering the Golden Age of Natural

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Gas". A report several months ago by Exxon Mobil had natural gas still second to coal, in terms of energy generation, two decades out. The new IEA report has natural gas at the head of the pack. Readers can browse the report, all 133 pages, online. My point here will not surprise readers who have seen the recent run-up in LNG shipping rates- the "golden" sun will shine on maritime companies as increased demand for natural gas will spill over into increased demand for waterborne LNG cargo, including exports from the U.S. (another soon to emerge trend). In a recent Capital Link interview with Tsakos Energy Navigation (TNP), Michael Joliffe, Deputy Chairman, talked about TNP's desires to grow its presence in the sector. In Norway, a Hoegh offshoot in the LNG business plans to do an IPO in late June, hoping to raise \$150 million to fund floating storage/ regasification vessels. These are floating and portable LNG receiving terminals- a new wrinkle as distribution changes.

Old continues to meet new. The MARY A WHALEN was the subject of an Admiralty law case that went all the way to the Supreme Court- overturning a doctrine whose origins were "...shrouded in the mists of history" (that was written by Judge Potter Stewart, delivering the Supreme Court's opinion in 1975). The case began (during a very cold Winter) when the tanker went aground on a sandbar off the Rockaway area, near Coney Island, in late 1968, on the way to a dock in Island Park (Long Island) to deliver fuel oil. Nobody was hurt and no cargo was spilled, but it was an insurance matter and costs apportioned (the subject of the case). Fast forward to the present, discussions are underway now regarding wind turbines that would be deployed not far from the site of the grounding- off the Rockaways and Jones Beach. By the way, wind turbines generate demand for project cargo carriers, lift boats (to assemble those heavy components), and other maritime services. Multiple vessel owners, particularly in North Europe, have made the cross-over into wind energy. Vroon, for example, a major player in refined products movements, is also active servicing offshore wind farms in the North Sea.

One final thought- the MARY A WHALEN had loaded its cargo at Constable Hook, in Bayonne, New Jersey. At that time, Esso (this was pre Exxon and certainly pre Exxon Mobil) owned this terminal, which had origins going back to 1875. As mist enshrouds history, the whims of oil majors change, along with distribution patterns for tankers. The terminal is now part of the IMTT network.