

## Logistics

# Managing the Shipping Carriers

Tanker management is just not a profession but passion for Capt. Mohan Naik, General Manager, Dynacom Tankers Management. The company is headquartered in Athens and set up its Indian operations around 18 years back under his leadership. The company operates one of the biggest fleets of carriers for the oil & gas industry. He shared his views on few of the concerned issues in a candid conversation.



*Capt Naik, Business of Tanker Management*

Along with Japan and China, India is one of the largest importers of crude into the country. Until 2008, shipping services that offer tanker management to ship the fossil fuel across the globe benefited to a great extent. Pertaining to the increasing hydrocarbon demand in the country, many international ship operators deployed their ships and entered the Indian arena. It was in 1992 that Dynacom Tanker Management, Athens based group started its Indian operations and consolidated its position in Indian market by setting up its office in the country in 1994. Capt. Naik has set up and spearheaded the growth of Indian arm of the company that has emerged as a major player in the field of providing services to transport hydrocarbons.

Being a developing economy,



India will see exponential increase in demand of hydrocarbons especially crude oil to meet the growing energy needs, which will open more avenues for ship operators and engage new vessels for services. By and large industry may continue its dependence on crude oil as the main hydrocarbon until these resources are exhausted; however there is an increase in concern towards switching over to cleaner fuels like Liquefied Natural Gas (LNG). He adds that it may take quiet sometime for LNG to take over crude oil. With many Indian E&P companies trying to foray into acquiring assets overseas to hedge fuel reserves for future use will give boost to the tanker management companies in India.

With increasing awareness towards adopting cleaner fuels a gradual shift from crude to LNG will happen in the years to come. This is the area that will provide ample opportunities to the fuel carriers, as there are abundant amount of untapped resources worldwide that are yet to be explored. LNG carriers are highly specialized vessels and have a history of maintaining high safety standards. Globally, there are around 40,000 crude carriers since it has been in use for almost 70- 80 years. However LNG markets have now started developing and worldwide not more than 400 carriers are there to ship this clean fuel. Being a niche area and to maintain utmost safety in shipment, charterers are extremely careful in selection of ships, which they hire for long terms.

### Safety Health & Environment

Tanker business did not start off as a very safe trade, however over the years maritime bodies have implemented various statutory norms towards safer operation in compliance with safety, health and environment for the chartered vessels. Shipping industry has to work within the framework of guidelines. Ship owners, charterers, operators are held liable under various conventions such as civil liabilities convention, fund conventions, oil pollution response

convention (OPRC) and high seas intervention convention (HSIC) in the interest of various stakeholders.

Number of tanker management companies increased significantly up to 2008. Tanker management companies have to comply with various norms to maintain their competitive edge that include technically competent ships and well equipped manpower. Capt Naik informs that to impart adequate training to the manpower is one of the most critical aspects in this industry. He adds that statistics reveal that 70-80 percent of accidents are caused as a result of human error that can result in so-called mechanical failures which can result in adverse situations such as leakages, accidents and even at times collision. He says, "In spite of being the best and safest the risk of accident does not get overruled. But with the implementation of International Safety Management (ISM) code, there has been a drastic decrease in the number of accidents worldwide."

Prior to implementation of ISM code, the experienced sailors took decisions on the movement of ships. However, ISM code makes it mandatory for the ship operators to systematically pen down the information in approved documents and evaluate the risks rather than manipulate them. According to Naik, to adopt safe practices is the need of the hour for ship operators and more

so for those who carry dangerous cargos like crude oil and gas.

Despite adopting the inherent safe practices the threat of piracy looms over the carrier operators along various sea routes, he rues. High value oil tankers are soft targets for the pirates. Though bulk carrier operators are able to take precautions such as installing electrified barbed wires at the ships rail to keep the pirates off from boarding the ship, the same cannot be applied by the hydrocarbon carriers because of the hazardous nature of cargo. However the carriers have an advantage of moving at high speed of 15-16 nautical miles per hour (knots), moving in convoys or seeking protection from naval ships. . Advanced communication systems on board help the ship operators to keep in touch constantly with the regional maritime bodies for safe passage and ask for help if need be.

The health of ship board staff during sailing is one of the prime concerns that have gained importance internationally across the industry due in some measure to the stringent commercial norms that carrier vessels have to follow. Prior to sailing, the staff has to undergo proper medical examination, in addition to temperamental check through psychometric analysis prior to taking up a sea career While the ship is on high seas, it is important to monitor behavioral patterns of crew



continuously in order to avoid accidents and incidents typical to the vocation of seafaring.

Oil spills play a major havoc in the sea, which affects the marine environment adversely and especially on the coast when spills occur in coastal region. The removal and recovery process of oil is not only long but also the burning of oil in some cases results in release of significant amount of toxins into the air. During the first half of 20th century, oil sea pollution was recognized as a problem. International Convention for the Prevention of Pollution of the Sea by Oil (OILPOL) was adopted in 1954. The International convention on the prevention of Marine pollution (MARPOL) replaced this when it came in to force in 1981. Statutory authorities have revisited, revised and amended pollution control norms over the years. International Maritime Organization (IMO) has enforced adopted strict regulations to monitor and control these oil spills, which the port states and flag states have to implement. Tanker management companies take a proactive approach and have a contingency plan on hand to handle extreme situations.

Managers of Tankers and ship Masters have to deal with the media and NGOs during such circumstances they should be armed professionally with adequate legal knowledge to take charge of such situations.

Many E&P companies are expanding their horizons and acquiring assets overseas to hedge fossil fuels towards future energy security, which will spur the growth of tankers business in the country. This industry will generate sufficient job opportunities in the next few years for those who wish to take up careers in this line. There is growing interest among women to take careers in this line and training institutes but there is some apprehension among the organizations to have women on board. Naik sees this as a short hiatus that will soon get phased out.

Shipping sector has been devoid / deprived of the due attention during the past decade. The Merchant Shipping Act that was created to foster the development of Indian mercantile marine in the national interest in the year 1958 has been amended over the years whereas this needs to be revamped. He says that although shipping, railways

and roads come under the umbrella of infrastructure, by considering shipping under the Ministry for Road & Transport Government has not been fair to this sector, he adds. India has a very long history of sea trade; however the Governments of the day in the past has have always failed to understand the apathy of the shipping sector.

This industry dynamics in this segment is governed by demand supply situation like any other industry and in the current scenario the prospects are bright. As the fuel demand is bound to increase in India, tanker management companies will show positive growth. Few shipbuilders in India have the expertise to build these carrier vessels, however Korea and China have the expertise to build big vessels. Naik states that although the powers have consistently overlooked the shipping sector for a long time and perhaps that is one of the reasons that has prohibited the growth of the sector despite the availability of huge potential. Nevertheless he is extremely optimistic about the growth trajectory of the sector given the entrepreneurial skills of the modern Indian ship manager and operator. ■

## ONGC Puts in 83 mn Tons of Oil and Gas Reserves in FY'10

**New Delhi:** Oil and Natural Gas Corp (ONGC), a state owned Oil company, said it has added 83 million tonnes of oil and gas reserves in the 2009-10 fiscal, the highest in two decades, even as production was lower than the target.

The company said, "The ultimate reserve accretion of ONGC including its joint ventures in domestic fields in 2009-10 has been 87.37 million tonnes of oil and oil equivalent gas against the target of 76.28 million tonnes." It stated that ONGC individually added 82.98 million tonnes of oil and oil equivalent gas reserves, the highest ultimate reserve accretion in the last 20 years." The reserve had gone up due to Kasomariagon discovery in Assam, South Mahadevpatnam and Pennugonda in KG onland, GK-28-1 in Kutch offshore and PER-1 in Mumbai offshore. "Kasomariagon and Pennugonda discoveries have already been put on production," the com-

pany said. ONGC said it had made three discoveries oil and gas in Karjan block in Gujarat, oil in Kutch offshore block and oil in an Ahmedabad block recently. The company produced 24.858 million tonnes of crude oil in the 2009-10 fiscal, lower than the target of 25.764 million tonnes. Gas production at 23.1 billion cubic metres was higher than 22.24 bcm targets. ONGC had produced 25.366 million tonnes of oil and 22.486 bcm of gas in the 2008-09 fiscal. ONGC Videsh Ltd, the overseas investment arm of the state explorer, saw output fall by over a percent to 6.489 million tonnes. Oil production registered a decline mainly due to natural decline in some major producing fields of ONGC and OVL. R S Sharma, Chairman and Managing Director, ONGC said, "Against the global average rate of declining production from mature fields, the performance of ONGC is very much satisfactory."