



Crowley re-charts the course



Jacksonville-based shipping and logistics company Crowley Maritime Corporation is setting industry standards in environmentally responsible shipping with the construction of two state-of-the-art LNG-powered cargo vessels. As one of Crowley's major relationship banks ING acted as a joint bookrunner and mandated lead arranger.

The combined container and wheeled cargo ships are scheduled for delivery in 2017 and have been designed for service between the United States and Puerto Rico.

The 122-year-old private family and employee-owned business operates over half its fleet in the domestic US shipping market, which is regulated by the Merchant Marine Act of 1920, also known as the Jones Act. This law requires goods that are transported between US ports to be carried on US-flag ships that were built in the United States, and are owned and crewed by US nationals. As result, a limited number of compliant vessels are available for shipping, which are generally subject to more stringent wage, labour and environmental regulations than those applied globally.

The vessels will replace Crowley's towed triple-deck barge fleet, which has been in service since the early 1970s. The new ships provide numerous environmental advantages, namely lower emissions, while also offering increased speed; greater reliability and capacity; and decks that have been optimised for vehicle shipping.

"This is our first real foray into developing container ships that are much more sustainable, energy efficient, and built specifically for our market. They will allow us to exceed the current emissions requirements of the market and meet those likely to emerge in the future," explains Daniel Warner, CFO at Crowley. "We are one of a small number of companies doing this, but we see the market moving in this direction."

Crowley's long term customers are predominately blue-chip corporations such as BP, Coca-Cola, ExxonMobil, WalMart and Sears, which increasingly look to their supply chains to reduce environmental impact.

"CO2 emissions from the LNG-powered ships will be 38% lower, compared to conventional vessels running on residual fuel oils, and reductions in sulphur oxide, particulate matter and nitrogen oxide emissions exceed 90%," says Warner. "This allows our clients to attribute these reductions to lower carbon footprint for their distribution system and overall business model."

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The financing for the construction was arranged via a US\$225 million term loan facility for which ING acted as joint bookrunner and mandated lead arranger. ING began its relationship with Crowley in 2007 through its participation in a multibank deal to finance the construction and initial post-delivery financing of five Articulated Tug Barges designed for the transportation of liquid petroleum products in the Jones Act Trade Lanes. The relationship has grown since then and ING is now one of Crowley's major relationship banks.

"In ship financing you want lenders that understand the long term nature of the business and can look past the construction phase," says Warner. "In that respect, ING has been excellent. They take the shipping business very seriously and ask the right questions, not only about the financial and outlook of the company but also about the management, the development of employees and the broader market. Their guidance and consultative approach to lending helps us to understand what is feasible in the market and what is not ."

Liquefied natural gas (LNG) is natural gas (predominantly methane, CH₄) that has been converted to liquid form for ease of storage or transport. It takes up about 1/600th the volume of natural gas in the gaseous state. It is odorless, colorless, non-toxic and non-corrosive. Hazards include flammability after vaporisation into a gaseous state, freezing and asphyxia. The liquefaction process involves removal of certain components, such as dust, acid gases, helium, water, and heavy hydrocarbons, which could cause difficulty downstream. The natural gas is then condensed into a liquid at close to atmospheric pressure by cooling it to approximately -162°C (-260°F); maximum transport pressure is set at around 25 kPa (4 psi).

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