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Liquid market for LNG still looks some way off

ONE LONG-TIME LIQUEFIED natural gas buyer has recently alluded to the resistance against the commodisation of the supercooled fuel and the associated shipping assets, *writes Hwee Hwee Tan*.

Jane Liao, chief executive of natural gas business at CPC Corp, told delegates at the Gas Summit 2019 that a trade-off persists even in a more liquid LNG marketplace today — buyers still need to choose between prioritising the reliability, affordability and security of supplies often associated with traditional offtake arrangements or liquidity, transparency and flexibility extended by spot and short-term trades.

This view takes into account the increasing volumes being traded on the spot market, one sign that LNG is evolving into a commodity.

This is made possible not least because liquidity has built up on excess or uncontracted new supplies, contractual terms have been relaxed to allow room for arbitrage and certain LNG price benchmarks having been made available to guide spot trades.

Ms Liao however, did not seem to buy into the idea that such conditions, which boost transparency and flexibility in global LNG trade, would facilitate a marketplace so desired by traditional LNG offtakers.

She argued that the exclusion of a destination clause in recent sales and purchase agreements — particularly those tied to exports from the US — disregarded the fact that this clause is meant to address "ship-shore compatibility" concerns.

She also openly challenged the viability of LNG buyers building trading portfolios and taking positions with both long-term offtake and spot trades.

Her counterpart in Japan, energy major Jera, holds a diametrically opposing view.

Hiroko Sato of Jera counter-argued that the Japanese entity now standing as the world's largest singular LNG buyer can achieve the best of both worlds through cultivating a portfolio business.

He equated the flexibility from access to spot cargoes in a more liquid LNG market today with enhanced reliability in supply sources.

Back in 2016, Jera expressed its intent to slash the amount of LNG it procures through long-term offtake by 42%.

To put these arguments into perspective requires a consideration of the varying roles CPC and Jera Energy play in the liberalisation of Taiwan and Japan's energy markets.

Jera, which is a joint venture between two Japanese utilities, Tokyo Electric Power and Chubu Electric Power, is obliged to prepare for the liberalisation of Japan's electricity market.

As competition ramps up on the home turf, Jera needs to reinvent itself and go beyond just serving its national duty of ensuring energy security.

CPC on the other hand, is grappling with similar challenges, albeit in a slightly different context from a liberalising gas market back home. As the state oil and gas player however, CPC has historically been supplying gas to local utilities, not compete against them.

Taiwan and Japan rank along with South Korea as the traditional LNG importers so the developments in these markets also shape the evolving terms of LNG offtake arrangements.

What is interesting to note is that CPC and Jera still cover each other on LNG trades so their relationship is collaborative, not adversarial.

Still, Ms Liao's comments are a stark reminder that liquidity in the LNG market may remain constrained in the near future so long as most traditional offtakers in Asia choose not to partake in spot trades.

Deregulating gas and utility markets will take time so these market participants may still hold significant sway over LNG demand.

And any lack of improving liquidity will not help bolster confidence in an Asian price benchmark — now perceived to be Platts JKM.

That also explains how certain LNG players have come to wonder out loud about the forces behind the recent collapse of a price spread between JKM and TTF, the benchmark for European trades, this winter.

WHAT TO WATCH

LNG progress offers lessons for future fuels

THE time has come for international shipping to take the lead proactively in developing future marine fuels, enabling the industry to achieve a zero-emission future.

This is the message embedded in Maersk's announced research, which will focus on three non-fossil fuels: biomethane, ammonia and alcohol, which namely covers ethanol and methanol.

By taking this stance, the leading container shipping line appears to have ruled out the proposition that fossil-derived fuels, including liquefied natural gas, can be carbon-neutral.

Belgium-based lobby group Sea Risk issued a more direct challenge to LNG green credentials, openly denouncing the super-cooled fossil fuel as no better in combating carbon emissions than marine gas oil.

Notwithstanding its detractors, LNG has gained stronger traction than many other oil-based alternatives. A review of its progress so far can certainly offer valuable lessons to the development of any proposed future fuels.

In late October, 170 LNG-fuelled ships had started operation and orders had been placed for 184 more, data from DNV GL's AFI platform showed.

That is still a small percentage of a global oceangoing merchant fleet of more than 60,000 vessels.

However, two of the world's largest wet and dry cargo owners, Shell and BHP, have respectively signed term charters with and called bids for the supply of large LNG-fuelled vessels.

Maersk has alluded to one inconvenient reality that can hinder the pursuit of zero ship emission: that energy firms may not be as motivated to set aside investments solely for the purpose of developing new marine fuels, which account for a small share of the overall energy market.

The International Maritime Organization has acknowledged the potential of LNG, as well as methanol, as a marine fuel.

Much to the chagrin of Sea at Risk and other critics, LNG (as with methanol) is still widely considered as cleaner burning alternative to marine gas oil and other predominantly oil-based conventional fuels.

LNG and methanol have also gone through somewhat similar development paths.

For a start, the first energy players to have ventured into LNG bunkering are two supermajors rated as top LNG sellers: Shell and Total.

Shell's move to sign a series of long-term charters that underpin the construction of LNG-fuelled tankers has thus far not surprised the market.

Similarly, in the case for methanol, the world's largest producer of the fuel, Methanex, has emerged as the charterer of the first cargo carriers to burn the fuel.

Leading mining player, BHP, seems to stand as one stark exception to have released a tender for large LNG-fuelled bulk carriers, despite not having significant vested interests in this largely fossil-based fuel.

The mining giant has qualified, however, that it remained open to proposals to slash carbon emissions beyond burning LNG. This footnote in its tender reflects its open attitude to trialling new alternatives; BHP has already piloted the use of biofuel on certain chartered-in vessels.

In addition to support it enjoys from two of the world's largest energy players, LNG also enjoys one major advantage over methanol and other alternative fuels under consideration: it is considered to be widely available around the world.

Global liquefaction capacity for natural gas had already breached 393m tonnes in February 2019, with another 843m tonnes being proposed, the International Gas Union noted.

This capacity is geographically dispersed — albeit unevenly — across all key continents: North America, Europe, the Middle East, Africa, Asia and Latin America.

By comparison, total installed production capacity for methanol stood at 122m tonnes in 2018, with just over half drawing the fuel from natural gas, the rest from coal, coking gas and heavy liquids.

With far more investment sunk in LNG infrastructure, it is unsurprising, too, that more policymakers and business leaders have come forward to promote its relevance as a marine fuel.

On the other hand, Maersk has taken an approach that may just turn the tables on such vested interests weighing in on the marine fuel market.

In its announced initiative, the Danish shipping line spelt out its aim to develop the first vessels running on its target non-fossil-based fuels. That is akin to creating demand for these named alternatives that is now mostly non-existent.

Still, Maersk has also hedged its bets by setting aside 20% of assigned resources for "dark horses" beyond the named alternatives.

These could well extend to hydrogen and other non-fossil alternatives if the research that has gone into — or is going into — these proposed fuels yields significantly positive advances.

Additionally, proponents of methanol and LNG have also mooted renewable or synthetic production processes.

One interesting development to note is some aim to extract hydrogen from natural gas or use hydrogen as a feed gas to produce renewable methanol.

The attempts made to develop non-fossil-based alternatives have met hurdles, not unlike those hindering LNG's potential as a marine fuel.

The lack of energy density is one common woe across alternative fuels — fossil-derived or not.

Research on current and proposed transport fuels found that the energy densities of ethanol, methanol, hydrogen and methane are far lower than that of liquid gasoline and diesel, according to one published report by US Energy Information in recent years.

Data shared by Rystad Energy at a conference this October pointed to a similar observation. Rystad noted — in addition to those fuels identified in the EIA report — that per litre of liquid, ammonia holds less than one-third the energy density of diesel and far less than half of gasoline.

These observations suggest that ships would require far larger fuel tankers to run on LNG and other alternative fuels under study so far. This would clearly compromise available space for carrying revenue-earning cargoes.

There is no saying technology advances may eventually boost energy density of future fuels but this one hurdle alone shows a need to fund extensive research.

Additionally, the International Maritime Organization has named methane slip as a concern to be addressed in formulating its emission policies.

Methane is recognised as a greenhouse gas that can inflict more harm on the environment than carbon dioxide. That is just one more variable being added to calculating ship emissions.

The IMO has also indicated the plan to embrace the lifecycle concept in evaluating the greenhouse gas emission from new and existing marine fuels.

Depending on the components the regulator may take into its assessment, the lifecycle approach — assessing end-to-end emission from production to consumption of the fuel concerned — clearly seems the more holistic way to profile greenhouse gas emissions.

Take methane slip. While this has a surfaced as one downside of LNG use as a marine fuel, it can take place during all stages of the upstream oil and gas value chain.

Cutting ship emissions, however, goes beyond just opting for greener marine fuel.

One ongoing project in Costa Rica recognises precisely that. Sailcargo, the project driver and an aspiring freight company, has elected to build a cargoship using sustainably sourced lumber.

The ship, to be named *Ceiba*, will also primarily be propelled by wind captured in its sails. Additionally, it will rely on solar panels for auxiliary power and its project team is evaluating battery storage options for unused wind energy.

Ceiba, which was around 50% complete at the time of writing, is designed to carry 250 tonnes of cargoes from Costa Rica to Alaska.

If this project takes off as planned, it may well show the way towards a future for green shipping — or at least what is possible.

OPINION

IMO's pollution chief says environmental barriers will trump trade

TRADITIONAL shipping activity and norms will be challenged as "environmental protection is going to trump trade", the head of the International Maritime Organization's environmental regulation warns.

Edmund Hughes, the IMO's head of air pollution and energy efficiency, said governments will demand adherence to stringent regulations to allow ships in their waters, under an emerging global reality.

"We still, as a sector, think that this right of innocent passage will go on forever," he told Lloyd's List. "I am afraid that is going to be increasingly challenged."

His caution comes amid a dispute over the use of scrubbers to meet the introduction of a 0.5% sulphur cap in 2020.

While some strongly support and have invested in the technology others, including some countries, claim it harms the aquatic environment and want to see exhaust gas scrubbers banned.

With the IMO agreeing earlier this year to review the impact of scrubber technology, Mr Hughes said the available evidence on scrubber impact is conflicting. Ultimately, it will be up to governments to decide what they want.

But from the wider context of environmental regulation, especially shipping's decarbonisation commitments, the senior IMO official said that both the industry and regulators have to realise they are dealing with "a different animal", whereby governments have a much broader perspective than they may have had for maritime regulations historically.

"People in the sector have to understand that. We are part of a much bigger, bigger picture," he said. "And it could be that when it comes to things like with the fuels, it is what happens outside the sector that is more important than what happens than in the sector."

Being part of the larger picture in the immediate term means living under a global 0.5% sulphur cap on vessel emissions effective from January 1.

Mr Hughes does not expect implementation to go perfectly, but did argue the industry is where he would have expected it be at this point; the compliant fuels are becoming available to the market in the fourth quarter and companies are testing them.

"There may be localised issues in terms of the smaller ports but we fully expect for the large trading vessels, ships and operators to be able to comply because there will be fuel available," he said.

Over the past year dissent against the new sulphur limit has largely died down and the industry has widely accepted this new challenge cannot be reversed. But there are those who still express concerns about the transition.

Intercargo, the main dry cargo owners association, has been consistently vocal about its fears over the problems tramp shipping could face, with its unpredictable schedule, in finding compliant fuel globally.

Mr Hughes said that if such concerns were more widespread IMO would need to seriously consider them.

"But at the moment there are one or two voices we feel have concerns- maybe rightly have concerns. But I don't see that as a reason for the organisation to stop doing what is doing and taking the matter forward," he said.

Concerns also persist from some industry corners on the safety implications of the new fuels and some have privately expressed that this factor has been overlooked.

For Mr Hughes, however, the IMO — and even the industry itself — has done enough to assuage those concerns; three years of preparations, several implementation guidelines and continual communication from industry bodies and the IMO.

Life after 2020

To those looking beyond just next couple of years, the 2020 sulphur cap may seem like a minor inconvenience. But for Mr Hughes it highlights the significance of regulatory certainty.

"If an organisation like IMO keeps saying we are going to regulate something and set mandatory requirements those requirements get weakened or rolled than frankly the credibility of non-mandatory instrument like our initial strategy become worthless," he said.

Mr Hughes's word echo the sentiments of many in the industry who stress that all the various collaboration initiatives that are launched to explore new fuels and technologies will not go far without regulation supporting them.

An IMO technical body meets in London in two weeks to discuss a series of proposed measures to help curb emissions in the short term, with a special focus on energy efficiency.

While these negotiations are happening according to a defined schedule, for some they are too slow, too procedural and could soon even be lagging behind action from a different set of regulators.

Usually a discreet organisation that tries to stay away from public quarrels, back in January 2017 the IMO made an exception and openly opposed the inclusion of shipping in the EU's Emission Trading System calling for global, not regional, regulation.

While shipping has been temporarily left alone by the EU, the incoming European Commission has explicitly said it wants to impose environmental regulations on shipping, teeing up a redux with the IMO.

Mr Hughes acknowledged that there are real risks for global regulation but warned that its fate lies on the will of the IMO member states themselves.

"If governments want to carry on having a global regulatory system, which is a level playing field where there is not a patchwork, then coming to the IMO and demonstrating that IMO is the principal regulator to deliver that for the future is what they have to do," he said.

But how much can and should the IMO do in helping the world decarbonise?

An increasingly focal point has been the sustainability of the wider supply chains of alternative fuels, not just their end use. Ammonia and hydrogen are floated as fuels of the future, but of what real use are they if their production increases global emissions?

Mr Hughes argued that the IMO would be incapable of controlling this aspect of alternative fuels and that it would be a distraction for it to focus on that, despite agreeing that well-to-wake sustainability will be important.

"It is no good having green fuels if it involves chopping down rainforests. It is not sustainable," he said.

The Interview: Lord Mountevans

LORD Mountevans is obviously so much more than the token 'Lord on the board', lending his name to the headed notepaper of the multiple shipping organisations which he now serves in an unremunerated capacity.

Clearly motivated by an old-school public services ethos, he has chosen voluntarily to go into bat for our industry, with the idea of giving something back to the sector in which he worked for over four decades in a one-firm career at Clarksons.

He is also that comparative rarity in politics, a hereditary peer still sitting in Britain's unelected second chamber, as a non-aligned crossbencher in an upper house dominated by appointees ennobled for partisan efforts on behalf of political parties.

That position he owes to the exploits of his illustrious grandfather, the legendary Edward 'Teddy' Evans.

The 1st Baron Mountevans, as Teddy became in 1945, was among other things a survivor of the legendary Edwardian-era expedition to the South Pole led by Scott of the Antarctic, a tragic tale of heroism eagerly imbibed by generations of British schoolboys.

Teddy went on to become a First World War naval hero and head of the Australia and South Africa squadrons, before becoming civil defence commissioner for London in the Second World War.

He then capped all that by codifying the rules of professional wrestling, still known as the Admiral Lord Mountevans Rules, which define which holds are legal and what counts as a fall.

It's not even as if Jeffrey Evans, as he was born, thought he would ever succeed to the title. It was only with the unexpected death of his older brother that he became the 4th Baron Mountevans four years ago.

Numerous roles

But even without that twist of fate, he would surely have made his mark through his numerous roles with Maritime London, Maritime UK, the Institute of Chartered Shipbrokers, maritime charity Seafarers UK and the White Ensign Association.

Maritime London, where Lord Mountevans is chair, is his biggest commitment right now, taking up two to three days a week.

Maritime London, as you'd expected from its name, exists to promote the interests of the capital's maritime cluster.

London is the odd one out among the world's major shipping centres, in that the number of physical shipowners based there is much depleted in recent decades.

But as far as Lord Mountevans is concerned, it is clearly number one when it comes to white-collar shipping services such as shipbroking, maritime law, classification societies, insurance, education, shipping-related consultancy and audit.

"Our focus is on that. We're very much a practitioner-led organisation. I'm no longer a shipbroker, but then I haven't come on as a shipbroker. We have lawyers, we have P&I club people, we have educationalists; all the backgrounds who you'd expect to be represented.

"We have our finger on the pulse of what's happening, how we can help, how we can work with government and with other organisations."

Even the comparative lack of actual living and breathing shipowners is not an insuperable problem. In Lord Mountevans' striking formulation, shipping isn't just shipping.

"You know, 'shipping' isn't just shipping. But shipping is an important part of the picture. And [attracting shipowners to London] is something that we're actively engaging with government to try to promote.

"We're not perhaps quite as strong as we'd like to be, but it's something we're working on. We have a very good tonnage tax regime, and that's constantly under review.

"I can tell you that there are actually international shipowners actively at the moment considering locating in the UK."

Maritime London's activities include the organisation of the biennial London International Shipping Week, which attracted around 20,000 visitors to its fourth iteration in the second week of September.

"I'm so pleased. We've set the bar higher each time each time.

"I know I'm interested, as chair of the advisory board. But the calibre of the events this year was fantastic, not to say that the previous one wasn't great. I think we exceeded our ambitions and goals, which is pretty exciting."

As a prelude to LISW, Maritime London published a report commissioned from PricewaterhouseCoopers, which set out 36 recommendations to boost the maritime sector in London. Perhaps the most eye-catching was a call for a 'shipping czar'.

That was nearly two months ago now, and there is no sign yet of the government delivering on the elements of the wish list aimed at Westminster. But it's early days yet, and Lord Mountevans declares himself hopeful of progress on this agenda.

After Brexit

Things will be clearer once Brexit is resolved. Although Lord Mountevans personally backed Remain, he does not think leaving the European Union will be a body blow.

"We're very keen to ensure that the UK has a sort of adrenaline shot post-Brexit," he notes.

It's important to avoid a race to the bottom, as many fear, but leaving the European Union regulatory framework may free the government to do things to promote shipping. Given that we are the most international of international businesses, it may not matter much either way.

Lord Mountevans is also on the council of Maritime UK. That organisation has a different remit, covering the whole of the maritime space, including ports, boat builders and maritime equipment manufacturers, which tend to be based in the regions.

He was even chair of Maritime UK, stepping down in 2015 when he became Lord Mayor of London.

"Maritime UK is a government lobbying organisation, and it wasn't appropriate that the Lord Mayor — which is a non-political appointment — should be heading a lobbying organisation, so I stood down that time," he explains.

Another commitment, which probably takes up around one day a week, is serving as president of the Institute of Chartered Shipbrokers, which regulates professional examinations in the field, and which is currently celebrating its centenary.

He naturally commends the volunteers who keep its network of 25 branches around the world going. It is they who do the heavy lifting, he stresses.

Shipping even impinges on what Lord Mountevans does politically in the of Lords, where is a key member of all-party parliamentary groups covering maritime and ports and shipbuilding.

Love affair with shipping

His love affair with shipping goes back to his time at the Nautical College in Pangbourne in Berkshire, a fee-paying boarding school founded in 1917 to prepare boys for careers at sea, where he sat O-levels in navigation and in seamanship.

At that time, his ambition was to follow in the family's Royal Navy tradition. Unfortunately, poor eyesight left him unable to take that route, and an injury acquired on the rugby pitch also ruled out plan B, which was the Royal Marines.

He now takes tremendous consolation from his appointment as an honorary captain now in the Royal Navy Reserve.

Cambridge University followed, and Lord Mountevans qualified as an economist, but still hankered after professional involvement with the maritime world.

On the recommendation of a family friend, he entered shipbroking at Clarksons, and stayed there his entire working life.

"I did 45 years, which is quite unusual today. People along the way were kind enough to ask me to join rivals, but the time was never right. And actually, I'm so glad I stayed, because it's been such an adventure."

Meanwhile, Lord Mountevans married his Cambridge girlfriend, who became a maritime lawyer, and at one stage worked for the Chamber of Shipping.

The couple have two sons, one working for a political think tank and the other in academia. The family home for over 30 years has been in Kensington, with easy access to Kensington Gardens and Holland Park.

Outside of work, he is a keen outdoorsman, particularly on his frequent visits to Norway, where he has family. He is a fluent Norwegian speaker, incidentally.

"For a guy my age, I'm not too shabby at long distance cross-country skiing. We do 40-50 kilometre trips every day and get back in time for a late lunch."

His musical tastes are catholic, including opera and ballet, which is his wife's favoured genre, but also blues and soul.

That schoolboy rugby injury hasn't stopped him following the game in adult life, and he will be rooting for England in the world cup final on Saturday. Otherwise, he supports Saracens, and Arsenal at football.

ANALYSIS

Shipping's hydrogen future will need regulation

IT HAS been more than 18 months since governments pledged to halve shipping's greenhouse gas emissions by 2050.

For a capital-intensive industry like shipping, that may seem like a negligible amount of time. For some observers, however, time is already running out to decide into which fuel and technology the sector should invest its resources and time.

Hydrogen and its close relative, ammonia, often positioned as the promised fuels of the future, have come under tight scrutiny as demands emerged for decarbonisation across the fuel production and supply chain — and not just for the final use.

Shipping has been pushing for the development of alternative fuels to help it decarbonise. And while individual efforts will certainly play an important role, it is questionable how much the industry will get to decide what it uses and how much it will simply have to take up.

Leading classification society DNV GL recently said it expected hydrogen to play a small part in shipping's decarbonisation due to high storage and conversion costs. Ammonia, which is already being shipped globally, will instead play an important role — yet still behind liquefied natural gas.

Whether that is true or not and whether ammonia is 'the one' will play out in coming years. Yet what is the state of infrastructure today — and what has changed in the past few months?

Europe is a strong hub for hydrogen. The European Union accounts for around 250 hydrogen-related projects, operating or planned, according to Hydrogen Europe director Nicolas Brahy. Of those, around 20 relate to maritime, including ferries.

Mr Brahy said interest in potential projects has grown significantly since the International Maritime Organization strategy on emission control came to fruition. Yet at the moment, there is more talk than action.

"We must realise we are in an environment where people think a lot but we have not yet decided to invest in one fuel or one technology," he told Lloyd's List.

That could soon be a problem.

While Mr Brahy applauded the IMO's strategy for setting clear decarbonisation targets, he noted that there were no binding regulations attached to it yet.

"I am bit afraid people will keep discussing for ages what is the best fuel," he said.

Europe's predicament is a difficult point for the fuel — and arguably others touted as alternatives to fossil fuels — on a global scale.

While hydrogen remains — on paper, at least — an attractive option, regulation will be necessary to spur investment in infrastructure of the fuel more widely.

Mr Brahy suggested that introducing hydrogen regulations for even one sector, such as road transport, would significantly benefit the deployment in other sectors, such as maritime, prompting more investment.

Stakeholder interest has indeed accelerated since the IMO adopted its greenhouse gas strategy. Collaboration ventures investigating emissions-cutting technologies and practices seem to appear frequently these days.

The most high-profile is the continuously growing Getting to Zero Emissions coalition, comprising dozens of companies, backed by government, research institutions and environmental groups.

Maersk has already taken the mantle, coming out recently in favour of ammonia, alcohol and biomethane as the most viable options to power a decarbonised shipping.

Tristan Smith, of the UCL Energy Institute, argued that even if the developing hydrogen infrastructure projects are unrelated to maritime, their very development could offer valuable insight into how to handle hydrogen, reduce the cost of handling hydrogen and what technologies could be most cost-competitive.

"Yet at the moment, there is nothing obvious that is something simple for shipping to leverage because we don't have large-scale production investment," he said.

Perhaps the only apparent exception to that observation, according to Mr Smith, is the hydrogen export terminal being built in southeast Australia.

Kawasaki has started construction on a liquefied hydrogen export plant there, using coal from Victoria, that will begin fuel exports in 2021 on a trial basis, using specialised vessels.

Japan has been among the most vocal hydrogen proponents and is a potentially significant contributor in itself, both due to the country's significance in shipping and shipbuilding and the sheer size of its economy.

Japan and Australia have set up the Hydrogen Energy Supply Chain to produce and export hydrogen from Australia, a project that could also enhance the know-how around hydrogen infrastructure and handling for the maritime sector.

It is apparent that there is a will that is growing globally. However, without ensuing regulations that can develop a business case, it is unclear how the fuel can flourish beyond a few pioneering projects and regional endeavours and into a global fact of life.

Shipowners seek to seize initiative as inevitable carbon levy looms

A MARITIME green fund underwritten by a carbon levy and managed by the shipping community was one of the more detailed ideas to emerge from a gathering of industry leaders this week.

The money raised could potentially run into tens of billions of dollars and used to finance research into alternative fuels and other technologies as shipping moves towards zero carbon emissions.

The proposal, drafted by an informal working group at the Global Maritime Forum summit in Singapore, was based on the firm view that a carbon tax was inevitable

It was presented to delegates by BW Group chairman Andreas Sohmen-Pao, who said rather than let politicians and regulators develop a levy of their design, shipping should seize the initiative to ensure the money raised is ploughed back into research and development aimed at accelerating decarbonisation.

"The IMO has set the trajectory, politicians are demanding zero-carbon shipping, this train has left the station," he said. "Let's not be on the wrong side of history."

Shipping can also prevent a badly designed outcome being imposed on the industry "by shaping it ourselves", while also creating new commercial opportunities "and preventing a human calamity".

As the industry moves towards zero carbon ships, it will also need assurances that first movers, including shipowners, shipbuilders, and financial intermediaries, are not penalised financially as they explore new technologies, said Randy Chen, vice chairman of Wan Hai Lines.

That may require subsidies from donor foundations, or government guarantees, to narrow the financial gap between traditional fuels and new power sources, so providing "comfort" for those taking the leap into a decarbonised future, with some clear ground rules and a legal framework, he said.

Mr Sohmen-Pao, whose group at the forum was one of a number each looking at different aspects of decarbonisation, suggested the carbon levy should be set at $10 per tonne initially. That would raise about $8bn for the green fund.

Within 10 years, the level should be lifted to between $50 and $75 a tonne, creating a fund of up to $70bn, the team proposed.

"These are very big numbers," said Mr Sohmen-Pao, but would be needed, given the scale of the task to switch to new fuels.

If a maritime green fund is established, he said the objective should be "to accelerate decarbonisation of shipping through investment in technology and design of new propulsion systems, alternative fuels, and scaling and infrastructure to deliver these fuels, while taking into consideration the impact on trade and developing states".

There was also strong support for such a fund to be placed under the aegis of the International Maritime Organization to give it legitimacy, but with its own governance system, professional management team, and board of trustees.

The existing IMO data measuring system could be used for assessing the carbon emissions, while collection of the levy could be done through P&I clubs that already have the necessary mechanism, the group proposed.

Mr Sohmen-Pao also said he had been encouraged by the lack of arguments that decarbonisation was someone else's problem, and that leaders accepted that the shipping industry had a responsibility to find solutions.

Another group, led by Bud Darr, an executive vice president at Mediterranean Shipping Co, agreed that in order to make genuine progress towards a carbon-free industry. shipping needed to collaborate with other stakeholders such as energy and petrochemical producers to help find a solution.

Mr Darr proposed a sub-group of the existing Getting to Zero Coalition with two basic tracks. One would look at the technical feasibility of new propulsion technologies, and the second track would examine what is really potentially available, working with the upstream fuel providers to find out what volumes could be produced.

That may also require financial incentives to produce alternative fuels in advance of genuine market demand, he said.

As shipowners and operators seek to promote their environmental credentials to customers, it is essential to have a trusted system in place so that if a company claims to be cleaner than others," it has to be verified by data," said DFDS chairman Claus Hemmingsen.

He said his team believed the IMO should be the centrepiece of any global regulation covering decarbonisation.

"We all want global and not regional regulation," he said. "However, in order to achieve a more effective IMO, we need to put more pressure on our governments through national shipowner associations."

Dutch courts open up evidence gathering to actions from other jurisdictions

THE power of Dutch courts to gather provisional evidence in support of litigation and arbitration from abroad should strengthen the hand of parties bringing claims against owners and charterers, according to a leading shipping law firm.

The Netherlands' courts have broadened the scope of provisional measures drawn up earlier. This approach fits in with the country's reputation as a hotspot for securing claims and relevant evidence, said AKD partner Haco van der Houven van Oordt.

In practice, this may involve a virtual lockdown of the ship on arrival in a Dutch jurisdiction, with bailiffs presenting 'leave issued' by the Rotterdam court, enabling them to copy all evidence on board in connection with a claim.

The Rotterdam Court can not only give leave for evidence attachments, but also enjoys unlimited jurisdiction in provisional witness hearings of crew members and evidence-linked investigations.

"Owners and managers, and also their insurers and lawyers, should be aware of the changing landscape, and not be taken by surprise," Mr van der Houven van Oordt said.

The option is open to claimants in all Dutch ports, including Rotterdam, Amsterdam and also in the Dutch river Scheldt leading to Antwerp.

The situation comes about after a landmark 2013 Supreme Court ruling, which confirmed evidence can be attached to secure future disclosure, despite the lack of specific procedural rules.

Dutch courts had previously been reluctant to give leave for such a measure, allowing only the attachment of assets by way of ship arrest to secure claims.

Evidence gathering can take place in the Netherlands, regardless of where the merits of the claim are ultimately litigated or arbitrated.

Several cases involving provisional evidence gathering in the Netherlands have already taken place, but most under ex parte procedure (application of one party alone) and have not been publicised.

A rare reported case involved Belo Horizonte, which suffered engine problems while carrying a cargo of soyabeans from Argentina to the UK. It was reported that the owners refused any meaningful onboard investigation by cargo interests at the port of discharge.

Cargo interests subsequently applied for an attachment of all relevant evidence on board ship when the vessel called in Rotterdam.

In several other cases, bailiffs and IT specialists have boarded vessels for up to 12 hours in order to download VDR data, logbooks, maintenance records, certificates and even email correspondence.

An image scan is commonly taken upon boarding to ensure no evidence is deleted from the server during the exercise.

Owners and their insurers to seek immediate legal assistance in the event of a bailiff coming onboard, in order to guide the master through the invasive process.

Owners commonly face a penalty of at least €1m in cases of obstruction, which can make it hard to walk the line between securing the legitimate interests of the shipowner on the one hand, and avoiding obstruction on the other.

On the other hand, a study from Rotterdam's Erasmus University concluded that the Rotterdam Court would be likely to reject an application for evidence gathering if the claimant was on a clearly on a 'fishing expedition', although that stricture would only apply in exceptional circumstances.

MARKETS

Fall in winter LNG spot prices pulls back shipping rates

LIQUEFIED natural gas shipping rates have softened just weeks into this year's winter season as spot prices for the super-cooled cargoes fell along with the first decline in China's gas demand in three years, S&P Global Platts noted in its recent assessments.

Northeast Asia cargoes for December deliveries traded at $5.92 million British thermal unit on Thursday, the lowest-ever recorded price, Platts JKM market-on-close assessments showed.

Platts JKM is widely considered as the benchmark for prices of LNG trades in Asia.

This decline is atypical in an increasingly seasonal market in which participants have widely come to expect spikes in cargo prices during the peak winter season for gas heating in Asia.

"Prices came off from mid-October due to weaker demand in Northeast Asia after a spurt of restocking at the start of the fourth quarter," Platts global LNG director, Ciaran Roe noted.

Platts Analytics attributed this uncharacteristic tumble in LNG spot prices to lower Chinese demand.

Weighed down by a slower economy and a more benign winter weather forecast in Northeast Asia, Chinese import demand went down by 30 m cu m per day in October, the first year-on-year decline since 2016. Central China's lower imports accounted for nearly all the weakness in Chinese demand.

Platts viewed this currently weakened China winter demand, which had previously accounted for the bulk of global LNG trade expansion over the last two years, as the main reason for the now dissipated East-West arbitrage which just weeks ago was supportive of cargo flows to Asia.

Platts-assessed LNG prices touched $7 per mmBtu earlier in October. That was also recorded at a juncture when the price spread between spot cargoes in Asia and Europe was seen widening, spurring on LNG shipping rates too in the spot market.

Shipbroker reports showed LNG shipping rates in the spot market hit as high as $130,000 in recent weeks, more than tripling levels seen during the first half trough.

Mr Roe pointed out however, that some cargo owners that have secured shipping tonnage through term charters before the surge in spot freight rates, still managed to profit from higher delivered cargo prices.

That said, a notable decline in cargo prices over the last 10 days has already had knock-on effects on all-in freight rates.

Shipowners are seen accepting lower "ballast bonus" of 125%, down from 200% a week ago, to trade tankers in the Asia-Pacific.

A ballast bonus compensates shipowners for sending carriers with empty tanks from their last ports of discharge to where their next charters would commence.

The Platts-assessed LNG shipping rate for Thursday stood at $120,000.

PSA planning 7m teu mega hub in Gdansk

PSA International, the Singaporean port operator, plans to turn Gdansk into a container port capable of being a rival to the long-established giants in Europe's northern range.

PSA, which agreed a $1.3bn deal to takeover the Polish container facility the Deepwater Container Terminal Gdansk this year, wants to increase annual capacity to as much as 7m teu.

The deal was a major coup for the global operator in the light of DCT Gdank's recent success in attracting numerous deepsea service on the lucrative Asia-Europe trade, which has seen Gdansk become Europe's fastest-growing box facility. Despite an initial slow start, throughput volumes have accelerated over the past two years on the back of alliance calls.

In 2018, the Baltic port reported volume growth of more than 20% to achieve liftings just shy of 2m teu.

That followed growth of more than 20% in 2017, which is expected to be more than matched this year with full-year throughput totals anticipated to come in at around 2.8m teu. DCT Gdank opened to commercial shipping in 2007.

This is still a far cry from the numbers handled in Rotterdam, which handled 14.5m teu last year, and indeed both Antwerp and Hamburg, where volumes were counted at 11.1m teu and 8.7m teu, respectively.

However, PSA has ambitions to challenge the status quo.

Speaking in Singapore, DCT Gdansk deputy chief executive Laurent Spiessens said PSA wants to position his port as the "gateway to the Baltic".

"Gdansk's unique location makes it the ideal gateway port to Central Eastern Europe and transhipment hub for the Baltic," he said, citing hinterland connectivity that grants it scope to reach as many as

120m people. "We are determined to drive growth further and we have already invested in new cranes and infrastructure that has helped increase teu capacity. We can continue to grow and increase this capacity to 3m teu by 2020 and eventually 7m teu."

He said the key is a €20m ($22.3m) investment earmarked to upgrade rail infrastructure, including the addition of three tracks to nearly double volume capacity in and out of the port.

"This investment combined with improvements to cross-border rail and road networks into countries like the Czech Republic, Slovakia, Hungary, Belarus and Ukraine means Gdansk has huge potential to grow," added Mr Spiessens. The port is also looking to further utilise the Vistula River, which stretches more than 1,000 km south from the port.

But if PSA is to achieve its goal for Gdansk to more then double current liftings, there is a need to build more berths.

Port of Gdansk Authority vice-president for infrastructure Marcin Osowski used the event in Singapore to celebrate 50 years of diplomatic ties between Poland and the Lion City, to unveil plans for just that.

He outlined how Gdansk is looking to build 'Euro Central Port' at a cost of an estimated €2.8bn, representing "the biggest maritime investment project in Europe" and one that would complement DCT Gdansk's current operations.

The proposals include the construction of 19 km of quayside, 8.5 km of breakwaters, and nine terminals, which would serve, in addition to container handling, passenger, offshore, LNG operations and shipbuilding.

To achieve PSA's goal and its own target of elevating the port's cargo volumes to 100m tonnes, he said Central Port is critical.

"This (Central Port) is tangible, it has the support of the Polish government and the whole maritime industry in Poland. The funding can be flexible split between public and private finance and the development itself can be flexible depending on port requirements."

PSA, Poland's sovereign wealth fund PFR, and the IFM Global Infrastructure Fund acquired DCT Gdansk from the infrastructure fund of Australia's Macquarie in March.

IN OTHER NEWS

Brazilian police link Greek tanker to major oil spill

POLICE in Brazil say they are investigating a Greek-flagged tanker they believe could be responsible for the oil spill that has damaged more than 250 of the country's north-eastern beaches over the past three months.

The country's federal police said in a statement they executed two search and seizure warrants in Rio de Janeiro for addresses linked to representatives of a Greek company responsible for the vessel in question,

They did not disclose the identity of the company or of the vessel nor any information they have ascertained during their operations.

DSV chief says Panalpina integration is 'on track'

DSV's integration of the Panalpina business it acquired this year is "on track, and all the lights are green", group chief executive Jens Bjørn Andersen said.

The newly merged forwarding giant is facing "volatile" freight markets buffeted by "trade wars and micro-economic uncertainties," he said.

The DSV air and sea division saw 2019 third quarter growth of 41% in sea freight volumes to 520,000 teu and organic growth of 7% when excluding Panalpina volumes.

Hydrogen will drive shipping's decarbonisation

HYDROGEN can play an important role in the transition to zero emission shipping as the gas provides considerable emissions benefits, compared to fossil fuel usage, according to the International Renewable Energy Agency.

If shipping is to reach the proposed carbon emission goals set out by the International Maritime Organization, targeting a 50% reduction in CO_2 emissions on 2008 levels by 2050, the IRENA's deputy director Roland Roesch said that hydrogen must form a key part of strategy for the future.

Indeed, he noted that ammonia produced from hydrogen can provide an answer for the shipping industry's long-term target of cutting carbon emissions.

Pacific Basin to raise up to $175m with bond sales

PACIFIC Basin Shipping, a Hong Kong-listed company focused on smaller-sized bulk carriers, is planning to raise up to $175m for fleet expansion.

"As part of our overall financing plan, we regularly seek out funding opportunities which we consider attractive and beneficial to our shareholders," chief executive Mats Berglund said.

"This convertible bond issue represents an opportunity for us to access the convertible market on attractive terms and further enhance the group's balance sheet and liquidity position to support the organic expansion and renewal of our fleet of handysize and supramax vessels."

Howe Robinson expands US operations with acquisition

SHIPBROKER Howe Robinson has bought US rival BBT Tradeships.

The deal allows Singapore-based Howe Robinson to expand its dry cargo presence into the US market, it said in a statement.

BBT, based in New Jersey, has been operating for more than 35 years. Howe Robinson already has an office in Houston, which is focused on tanker operations. The New York addition will be its 12th.

CMA CGM and DP World win Le Havre terminal tender

GENERALE de Manutention Portuaire, a joint venture between CMA CGM's port arm Terminal Link and Dubai-based operator DP World, has been awarded the contract to operate the new box terminal in the port of Le Havre, France.

The concession, due to be signed imminently, will span for a period of 30 years, with an extra four years allocated to design, study and construction, according to French carrier CMA CGM.

The terminal, which will be located at the west end of the Port 2000 complex, will comprise two berths, 11 and 12, boasting 700 m of quay and an annual capacity of 1m teu at full-build.

SembMarine gets Gulf of Mexico FPU contract from Shell

SEMBCORP Marine has built on its offshore engineering credentials to secure another floating production unit contract for the Gulf of Mexico.

SembMarine unit Sembcorp Marine Rigs & Floaters won the contract to build and integrate the FPU topsides and hull for the Whale field in the Gulf of Mexico from from Shell Offshore Inc and comes ahead of the oil major's final investment decision for the full Whale project expected in 2020.

The Singapore-based offshore engineering firm said in a press release that the latest contract paves the way for the Whale FPU to move ahead and take advantage of synergies from the ongoing Shell Vito FPU, currently under construction at its main yard in Tuas.

Capital Product eyes growth despite volatility from scrubber retrofits

CAPITAL Product Partners is seeking to grow its fleet despite an expected choppy period ahead due to retrofitting most of its vessels with exhaust gas cleaning systems.

Chief executive Jerry Kalogiratos said that the Nasdaq-listed partnership had the opportunity to expand even though Capital Product expected "additional volatility" in operating income and common unit coverage from scrubber retrofits on at least six more of its vessels in the coming months.

"We believe that once the retrofits have been completed, the partnership will benefit in the long run from increased cash flow generation and visibility," Mr Kalogiratos said.

Nokia hopes to break into 5G for ports in Malaysia

NOKIA is targeting Malaysian ports as it seeks to gain a slice of the 5G fray in the ports sector in Asia.

Reuters reported that the Finnish telecoms network equipment maker wants to get into the Malaysian market as the Southeast Asian country prepares to start up fifth generation or so-called 5G networks next year.

5G networks not only provide ultra-fast mobile broadband connectivity but also enable emerging applications such as the Internet of Things and others that ports and logistics industry players are keen to introduce.

Seacor Island Lines names Charles Gittens as president

SEACOR Holdings subsidiary Seacor Island Lines has appointed Charles Gittens as president and chief commercial officer as the company looks to boost its earnings after a weak third quarter.

Chief executive Daniel Thorogood said the company will benefit from Mr Gittens' broad industry knowledge, on-the-ground regional experience, and desire to grow the firm's service offerings.

Mr Gittens joins Island Lines after over 15 years' experience of the freight and logistics markets in the US, the Bahamas, the Caribbean, and Latin America.

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