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Greek owners call for industry discipline on green agenda

SHIPPING SHOULD UNIFY around the International Chamber of Shipping as its global voice ahead of debates on critical aspects of industry decarbonisation policy, rather than be distracted by ersatz solutions put forward other fora, the leader of Greece's shipowners has said.

Union of Greek Shipowners president Theodore Veniamis spoke out after attending the recent Global Maritime Forum 2019 summit in Singapore that was themed as 'Taking the lead' on a range of hot topics, with decarbonising shipping paramount among them.

The Greek owners' leader came away with a raft of concerns related to GMF, and perhaps other unspecified bodies, that in his eyes are flirting with impinging on the role of the ICS or at least muddying the waters as to who speaks for the industry.

"Such conferences can offer valuable food for thought," said Mr Veniamis. But, he added, they also raised "a number of issues".

Participation at the latest GMF forum consisted "mainly" of "stakeholders from the extended maritime cluster rather than from the shipping industry itself", he claimed.

This was paradoxical and could mislead, he added.

The ICS, the international umbrella of national shipowners' associations, was "the global leading voice of the shipping industry" responsible for detailed technical and policy work on a continuous basis, whereas events such as the GMF summit "cannot and do not offer real solutions to the problems."

By way of example, according to Mr Veniamis, the Singapore forum paid little attention to issues surrounding the imminent 2020 global sulphur cap regulation or to current debate at the International Maritime Organization on the short-term measures for reducing greenhouse gas emissions from ships.

"Global, workable and effective solutions can only come from the dedicated UN agency for shipping, the IMO and its members and participants," he said.

Fora such as GMF "should conscientiously abstain from making unrealistic or impractical public statements which only disorientate global efforts and divert attention from the essential work of the UN IMO, at the risk of undermining it," said Mr Veniamis.

Whilst it is no surprise that the UGS should protectively speak out in support of the ICS and the IMO as the traditional legitimate voice of shipowners and the sole global maritime rulemaker respectively, it is understood that a cause of special concern for Mr Veniamis were GMF working group proposals advocating an ambitious shipowner fund to pay for research and development to accelerate decarbonisation.

Lloyd's List understands that the topic is a highly sensitive one right now as the ICS is on the cusp of finalising its own R&D fund proposal.

Moreover, the UGS is opposed to allowing the full brunt of R&D costs to fall on owners.

"It is not just the shipowner who should bear the responsibility to contribute funds or carry it out," Mr Veniamis said. It was "very important" that other stakeholders such as oil companies, shipyards, engine builders, charterers and governments, should also contribute to developing new fuels and technologies.

He also drew a clear distinction between any short-term R&D fund and any longer-term policy on market-based measures (MBMs) at the IMO as part of its agreed GHG reduction road map.

On MBMs, Mr Veniamis underlined that an IMO-administered bunker fuel levy was the "clear preference" of international shipping, including Greek owners.

WHAT TO WATCH

Are charterers and consumers to foot the bill for shipping's carbon tax?

THE prospect of a carbon tax on shipping emissions appears to be gaining traction with several senior figures now talking openly about the mechanics of how such a scheme would work.

While the details remain open for debate, shipowners appear united on one aspect – that the pressure will be on charterers and product consumers to pay for it.

Addressing the 35th anniversary of the Costas Grammenos Centre for Shipping, Trade and Finance, held last week in London, Greek shipowner George Prokopiou, a strong proponent of speed limits, acknowledged that a tax on fuel would at least penalise everyone in the industry equally.

"If it is a level playing field, for us it does not matter whatever they put, if it is for everybody," he said during a panel discussion on the tanker market.

However, he questioned its utility at this point, suggesting it would not generate any reduction in emissions or improvements in technology, which is the main challenge.

With the IMO's technical body on GHG emissions convening in London this week, attention is focused on the immediate short term measures, especially speed limits, but the question of a tax on fuel consumption is increasingly being raised at industry forums.

Speaking during London Shipping Week earlier this year, Tovald Klaveness chief Lasse Kristoffersen kicked things off by stating that shipping should create a $20bn carbon fund modelled on Norway's NOx fund to plough financing into the required transition to zero-emissions fuels.

Upping the ante during the Global Maritime Forum in Singapore earlier this month, BW Group chairman Andreas Sohmen-Pao presented a proposal for the establishment of a maritime green fund based on a carbon levy that over the course of a decade would grow to $75 per tonne.

Onassis Foundation president Anthony Papadimitriou claimed that that translates to around $0.02 at the pump for consumers.

"That may seem like a small amount to pay for the environment, however before arriving at the pump somebody will have to pay this $75... And that somebody cannot be the shipowner. It cannot be. It has to be the charterer," he said.

Siri Pettersen Strandenes, professor emeritus at the Norwegian School of Economics, claimed that recent history has demonstrated just how crucial shipping can be to cargo owners and oil-using industries.

The spike in tanker rates seen in October demonstrated that ultimately oil companies, for example, will pay that much higher price, because the cost of the alternative is simply too high.

"If you have a charge on the oil so that everyone has to pay — except in periods where there is overcapacity — this will be paid eventually by the consumers," she said.

That would also boost renewable energy and give an incentive for the development of new technologies, she further argued.

Multi-fuel future calls for team work in advocacy

IF the choice of words of one expert is anything to go by, advocates of methanol have taken on board lessons learnt from the progress — or lack of it — that liquefied natural gas has made as a marine fuel.

The numbers for sure have stacked up in the favour of LNG — globally, 170 ships capable of running on LNG are in operation and orders had been placed for another 184 such ships as of late October, according to data from DNV GL AFI platform.

Just 11 ocean-going cargo carrying ships are operating on, or being built to burn, methanol.

Still, the LNG-fuelled vessel count is very far off from the 1,000-strong fleet DNV GL projected in 2012. The leading classification society has subsequently lowered its initial forecast.

So it came as no surprise that Argus Media's vice-president for global methanol and derivatives Dave MacCaskill worded his projection very carefully during his presentation at a seminar organised by an advocacy group, the Methanol Institute, last Friday in Singapore.

He said that the methanol industry could reasonably supply 5m to 10m tonnes to the marine fuel market.

That is a modest estimate, working out to less than one tenth of today's bunker market, which easily exceeds over 200m tonnes of annual sales.

It also suggests only what methanol can contribute rather than forecast the share this fuel may occupy in bunker market going forward.

Mr McCaskill's remarks actually reflect several facts methanol advocates have come to accept.

A study commissioned by the Methanol Institute has demonstrated the fuel can be made available for bunkering purposes at over 100 ports worldwide.

However, the current global methanol production capacity, ranging above 80m tonnes, does not match up still to the scale of the present global bunker market.

By contrast, the International Gas Union has indicated that as of February, global liquefaction capacity for natural gas had exceeded 393m tonnes and was still expanding.

What's more, even as methanol holds more energy content than LNG on equivalent volume basis, its energy density is less than half that of diesel, one research finding published by the US Energy Information Administration showed.

The inevitable conclusion is that until and unless methanol production capacity ramps up dramatically, supply of this cleaner burning fuel will not meet global marine fuel needs.

To give the industry due credit, not even the largest singular producer, Methanex, has sought to position methanol as the only marine fuel choice for the transition to a greener shipping future.

Methanol advocates have also suffered setbacks elsewhere even before those championing LNG as marine fuel were forced to swallow humble pie.

In the US, methanol failed to take off as a road transport fuel partly because it was introduced during times of falling petroleum prices in the 1980s and the 1990s.

Interest in methanol as a transport fuel may have picked up once again with a vigorous regulatory push for lower greenhouse gas emissions. Even so, fuel prices will play a huge role in shaping the adoption rate for any greener alternatives in the absence of attractive incentives or trade credits for lower emissions.

What may have helped methanol's cause today is that the fuel is trading on an energy density equivalent basis comparable to fuel oil blends complying with the 0.5% global sulphur cap, which come into force for marine fuels on January 1.

LNG spot prices for front-month loadings this December in northwest Europe and northeast Asia have also hovered at record lows.

As Mr MacCaskill suggested, however, shipowners should remain inclined to hedge their bets on a multi-fuel future by investing in dual fuel or hybrid ship engines if these prove economically justifiable.

Seen in this light, advocates may well go the longer distance if they choose to align with two or more complementary fuels.

ANALYSIS

Slow steaming seen as fast-track solution to curb emissions

BRUSSELS lobby group Seas at Risk says reducing ship speeds by 10%-20% will lower greenhouse gas emissions by as much as 13%, and curb air pollutants harmful to human health and nature.

Seas at Risk today argued the case for reducing ships' speed, with the release of a review of existing studies of engine fuel consumption from lower speeds assessing the impact of slow steaming on greenhouse gas emissions, air pollutants, black carbon and underwater noise pollution.

Seas at Risk and Transport & Environment have consultative status at the International Maritime Organization via the non-government group Clean Shipping Coalition. The coalition is attending the intersessional working group from the Marine Environmental Protection Committee that began today and is now considering short-term proposals to reduce shipping emissions, including slow steaming.

"Speed reduction is the closest thing to a silver bullet the IMO will ever see," according to Seas at Risk senior policy officer John Maggs.

"Delegates attending this week's IMO climate negotiations have on the table proposals to reduce ship speed that would not just make a big dent in shipping's climate impact but would massively reduce air pollution, underwater noise pollution, and the incidence of fatal collisions between whales and ships, all issues that the IMO must also deal with."

Carbon dioxide emissions from international shipping average 1.015bn tonnes annually and 3.1% of all global emissions, according to IMO studies. Containerships account for 23% of emissions, bulk carriers 19% and oil tankers 13%.

The report says: "Reduced ship speed means reduced fuel burn, resulting not just in reductions in GHG emissions but also big reductions in black carbon, sulphur and nitrogen oxides, all important air pollutants. SOx and NOx emissions have serious implications for human health, while black carbon is a concern in the Arctic where it is responsible for accelerating global heating."

Baseline CO2 emissions are reduced by around 13% and 24%, if ships reduced their speed by 10% and 20% respectively, the report says, citing a February 2012 study it commissioned from CE Delft. The same reduction in NOx and SOx emissions was seen with slower speeds, according to the report's conclusions.

Black carbon emissions, at full engine load, are also proportional to fuel consumption, the report says.

Regulating slower speeds would need approval from flag states and port states to implement and control. Voluntary slow steaming has been used in times of industry downturns to better manage overcapacity.

The competitive risks of digitalisation

THE ever-increasing use of "big data" and business intelligence and analytics (BI&A) systems is changing the shape of container shipping but could yet pose a threat to fair competition and destabilise the market.

In a speech to the World Congress of Ocean in Xiamen, China, Netherlands-based competition law specialist August Braakman said technology had resulted in core container service and logistics no longer being incompatible businesses.

"Big data and the ensuing BI&A systems have induced Maersk and CMA CGM to all but bet their undertakings on the shift to global end-to-end services," he said.

"Therefore, they will continue to invest in the creation and improvement of BI&A systems that govern the entire logistics chain of these services and, where possible, will protect these systems and their improvements by intellectual property rights."

He gave the example of Maersk's collaboration with IBM to form TradeLens, and CMA CGM's acquisition of CEVA Logistics, as well as the French carrier's collaboration in the Global Shipping Business Network.

"The effects of the above developments will not be limited to global end-to-end services," said Mr Braakman.

"Lines and alliances will try and recoup the investments that have been made and are still to be made by applying the acquired knowledge and experience to all areas of the services they offer.

"This implies that the way in which big data and BI&A systems are applied in the area of global end-to-end services serves as a template for the way they are — and will be — applied in the area of non-global services."

BI&A systems would provoke a move from supply chain models to commodity-driven logistics solutions, he added. They would enable a line/alliance to provide end-to-end services by linking ports and terminals, customs authorities, shipping lines, third-party logistics, inland transportation, shippers and other parties, all together.

"Current practice shows that this development has induced lines/alliances to revisit their strategic and commercial policies."

BI&A systems require a rigorous co-ordination of the organisational decision processes in the entire logistics chain of the services, Mr Braakman said. These need to be interoperable to exchange data in a meaningful way, leading to close co-operation between all actors in a supply chain, which would increase competition between lines and alliances.

Moreover, the establishment of standards bodies such as the Digital Container Shipping Association, that are exclusively operated by carriers, will increase the dependency of technology companies and other players once the standards have become common and industry wide.

"Antitrust concerns may emerge from the need for new forms of industry actors to have access to the technical data underlying the common, industry-wide standards to be able to research and develop new standards that, by virtue of their characteristics, prices and intended use, are interchangeable and substitutable," said Mr Braakman.

"Particularly if common, industry-wide standards are protected by IP-rights, lines may prevent access by demanding unreasonable royalties or exorbitant licensing terms. Such conduct is often called "patent holdup".

Patent holdups can, and usually will have antitrust implications. These implications will be fostered when the standards cover topics outside the legitimate standard-setting activity. This may well be the case, he said.

"Container services have far-reaching impacts on the whole maritime industry, therefore an exclusion of new forms of industry actors could extend across the entire industry, with severe antitrust implications," said Mr Braakman.

Antitrust concerns may also emerge from the fact that common, industry-wide standards progressively increase the dependence of their users on one and the same ecosystem.

"The purchase of the required technology, retraining of IT-personnel and company-wide implementation of the ecosystem will make it very difficult to switch to another system."

Contract concerns

Carriers and alliances have complete control over the logistics chain of a contract, Mr Braakman said,

and all parties must use the same IT standards to ensure interoperability.

But this close cooperation and the requirement to share sensitive and confidential data provides carriers with an important database.

"Even if the data of other actors is confidential and possibly protected by IP rights, the carrier must be made privy to this data to secure a proper and smooth implementation of the contract," Mr Braakman said. "The ensuing database may well give it an important competitive advantage over other lines/alliances equipped with different data access."

This competitive advantage could be self-reinforcing as access to data may support better services, attracting more customers, and gleaning more data. Higher revenues could then allow more service development.

"This trend could harm competition by converging towards a monopolisation of data-related markets," said Mr Braakman.

Moreover, there is a risk that a carrier would decide to extend the competitive advantage of its database by providing a company with confidential data that is not strictly needed to play its role in an end-to-end contract.

"This could result in distortion of competition, particularly if intellectual property rights protect the data."

The European Court of Justice has held that in cases where there would be an obligation to grant access to data that constitutes an essential facility, the owner of the data must be fully compensated by being allowed to allocate an appropriate portion of the investment costs to the supply and to make an appropriate return on this investment, having regard to the risk level involved.

"The question now is whether a case-by-case interpretation of the word 'appropriate' could legitimise a compensation that differs per company that is entitled to access," Mr Braakman said.

New tools required

Apart from careful identification of the antitrust issues, the increasing dominance of big data and BI&A systems on the market of containerised liner shipping services also requires adequate tools to measure, evaluate and neutralise these issues.

"I take the view that the tools at the disposal of the European Commission are not suitable to do the job," Mr Braakman said. "My main arguments are that the anti-competitive issues of BI&A systems have not been properly identified yet, and that the tools were created at a time when BI&A systems did not exist and are therefore not directed towards the specific hazards these systems imply for freedom of competition.

Serious threats

The lack of adequate and effective tools poses a "serious threat" to fair and undistorted competition and a level playing field to all stakeholders, Mr Braakman added.

"Undertakings will remain abandoned to their fate until the time this threat has been adequately dealt with," he said. "They are compelled to heavily draw on facts and circumstances that have not been properly chartered from a competition point of view."

While preparing their self-assessment and compliance report, carriers should weigh not only their own conduct, but also the conduct of their competitors.

"Special attention should be paid to the conduct of companies they associate with in regard to the implementation of the aforementioned services and/or within the framework of alliances," Mr Braakman said.

"The required interconnection of activities may well lead to joint liability for infringements of antitrust law. Under EU law, liability involves fines up to 10% of the annual turnover of the undertaking concerned and, if the parent company turns out to have exercised a decisive influence over its conduct, up to 10% of the annual turnover of the group of companies. In addition, private individuals may sue for recovery of damages resulting from infringements. The costs may be well in excess of the fines themselves."

The present situation created a complicated legal border area, he added.

"I take the view that continuance of the current situation of imperfect competition is unacceptable," Mr Braakman said. "The variety, volume and velocity of big data and BI&A systems is so swift and drastic that infringements of competition may well turn out to be not only irreversible but also not punishable."

The ensuing instability on the market of containerised liner shipping services could well turn the technology into a curse rather than a blessing.

"Not only the EC, but also competition authorities in other parts of the world should take action and provide legal certainty: the sooner the better," he said.

OPINION

Answer five questions to make better greenhouse gas policies at the IMO

MOST of the world's governments will have delegates in London this week for the International Maritime Organization's Intersessional Working Group on Greenhouse Gases. They should ask themselves five questions to help them decide which GHG reduction measure, or combination of measures, to support, *writes Dan Rutherford.*

There's a huge amount of work to be done on agreeing short-term GHG-cutting measures, in a dwindling time window. And there are still large differences in views between countries on the relative merits of speed reduction, shaft power limitation, and operational efficiency.

Instead of waving the flag for one's own favorite policy endlessly, sometimes it helps to take a step back and think through what we're actually trying to achieve here.

At the International Council on Clean Transportation, that's our specialty. We provide clear, unbiased research and technical and scientific analysis to regulators globally — not just in shipping, but also in road transport and aviation — to help them sort through the options available to benefit public health and mitigate climate change.

We've been analysing the policy options for cutting shipping GHG for many years, and have put together the five questions every delegate should ask themselves as they evaluate potential short-term GHG measures at IMO.

1. Is it effective? Can it substantially reduce GHG emissions from international shipping beyond what we already expected to happen? Specifically, is the expected result consistent with exceeding IMO's 2030 carbon intensity target? (Which one must remember is a minimum threshold under the IMO's "at least" wording, not a maximum limit to be hit dead on.)

2. Is it mature? Can it be in place and cutting emissions before 2023? Remember that there's a two-year delay between when IMO agrees to a policy and when it enters into force. The policy idea has to be mature enough so that it can be agreed to by states, implemented, and begin reducing emissions in the real world before 2023. We have to be realistic about the time it takes to usher an idea through the IMO, which can be delayed by procedure and by politics.

3. Is it transparent? Can compliance be monitored, verified, and enforced? A perfect on-paper regulation is pointless if compliance is low and enforcement is weak. Regulators have to be really smart when designing GHG policies. If authorities build rules around the wrong data point, or data that are hard to access or verify, it can create perverse incentives to cheat the system rather than cut emissions. Transparency enables high compliance, strong enforcement, and level playing field.

4. Is it scalable? How well does it dovetail with mid- and long-term measures designed to not only cut emissions, but to eliminate them? Does it reduce energy consumption and reward the use of low and zero carbon fuels and technologies? Ideally, the policies the IMO implements to cut emissions from the existing fleet will also tackle the well-known market failures for efficiency in shipping and lower the total energy requirements of the sector, which will be critical given the high renewable energy demands of new fuel types.

5. Is it Fair? Does it safeguard vulnerable, sensitive, or climate-susceptible populations and member states? Policies to cut GHG emissions can also be designed to protect these groups and promote sustainable trade. Any policy should avoid disproportionately negative impacts on states to make sure eliminating GHGs goes hand-in-hand with development.

Dr Dan Rutherford is the programme director for marine and aviation at the International Council on Clean Transportation, an independent nonprofit organisation providing technical and scientific analysis to environmental regulators.

Decarbonisation and digitalisation: Where we're at and what's coming next

FRONTLINE experts from maritime, technology and energy sectors will share perspectives on the main concerns over shipping's path to decarbonisation and digitalisation.

As 2020 approaches, shipping companies are keeping a close eye on how the implementation of the sulphur cap mandate will impact the market and their assets. On the other hand, increasing attention has been given to the 2050 decarbonisation target, which creates even greater regulatory uncertainty for the industry.

Meanwhile, investments have been made in digitalising seaborne trade activities, in a bid to gain efficiency and fend off risks from the shifting business environment. Data is being used by shipping firms to guard against exogenous shocks and to establish connectivity with their partners and increase productivity that can be passed on in the supply chain.

Ultimately, it will be innovators that lead the change towards a more environmentally friendly and efficient shipping industry.

Lloyd's List's Hong Kong Innovation Forum, sponsored by the Hong Kong Maritime and Port Board during HK Maritime Week, will bring together leading experts on these topics to give regional business leaders an insightful look at the following issues:

• How far shipping is away from its digital transformation tipping point?

• How fast will AI and blockchain solutions mature in shipping?

• How to have the right innovation teams in place?

• How reasonable and defendable is it to use LNG as a transition fuel ahead of the IMO's 2050 decarbonisation targets?

• How to create an infrastructure where dependable future fuel production can be relied upon?

• How will the new fuels affect the future asset values and how will that play into market conditions going forward?

Attendees will also get the opportunity to interact with our expert panellists on the kind of practical conversations required as they review their own plans for the coming years, making this forum one of the must-attend events on the 2019 maritime business calendar.

Panel 1: Innovators & Outsiders
Panellists:

Luis Benito, Director of Innovation and Co-creation, Marine and Offshore, Lloyd's Register

Shah Irani, Chief Technology Officer, Fleet Management

Lionel Louie, Chief Commercial Officer, CargoSmart

Christophe Letelier, Head of Business Development, International Supply Chain, Asia Pacific, Kuehne+Nagel

Panel 2: The Decarbonisers
Panellists:

Arthur Bowring, former MD of HKSOA

Bjorn Hojgaard, Chief Executive Officer, Anglo Eastern

Joseph Law, Senior Director, LNG bunkering, CLP Group

Guy Platten, Secretary General, International Chamber of Shipping

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MARKETS

Capesize market hit by negative sentiment

THE capesize market slide continues as iron ore volumes from Brazil seem muted, combined with suggestions that China's imports of raw materials are slowing down.

"Over the past week, the capesize market has broken out of its recent range-bound zone to the downside," the Baltic Exchange said. "With ample tonnage in the ballaster lineup and minimal market cargoes

seen out Brazil," the C3 market was seen to have shed more than $2 per tonne by Friday.

"Hopes of a market bounce are slim with headwinds from current market fundamentals, but turbulence from IMO 2020 will continue to ensure the market is anything but predictable in the coming weeks and months," the exchange said in a note.

The average weighted time charter on the Baltic Exchange slipped to $19,390 per day at the close of Monday, the lowest level since July 1. This compares with $24,637 at the start of November.

The C3 Brazil to China route slumped to $18.03 per tonne, the lowest level since June 18. That figure compares with $20.42 on November 1. The C5 Australia to China route was meanwhile assessed at $8.45 per tonne, down from $9.03 at the start of November.

Maritime Strategies International senior analyst Will Fray said that "sentiment is collapsing quite sharply".

The hint is that Chinese steel margins are falling, leading to lower iron ore and coking coal requirements, he said, adding that coal import restrictions were now coming through.

Jefferies analyst Randy Giveans noted that Chinese coal imports fell by as much as 18% during October, while Chinese iron ore imports dropped for the first time in four months.

Despite this, Mr Giveans believes that rates could start to rally as a result of "vessel supply tightness" and a rebound in tonne-mile demand from Chinese imports.

The forward curve is showing some weakening into the first quarter of next year, however, with December priced at $18,750 per day as of Friday, and the first quarter at $13,500 per day, according to brokers GFI. The figures are slightly higher than the day before. The second quarter of 2020 is meanwhile being assessed at $12,500 per day.

The panamax market was also facing "negative movement" in both the Atlantic and Pacific basins, with no sign of a recovery, according to the Baltic Exchange.

"While the strong South American corn exports season eased the shortfall of cargoes in the third quarter of the year, expectations of a weaker US exports season in the fourth quarter are likely to weigh on panamax rates," said BIMCO's chief shipping analyst Peter Sand.

In other news, China's Jingye Group has made a bid for British Steel's Scunthorpe site in eastern England, with plans to increase steel production by 500,000 tonnes, to 3m tonnes per year. One of the products that the company may be interested in is rail tracks, which are not made at any of its facilities, according to an article by the BBC.

That could lead to export opportunities, supporting dry bulk trade.

Braemar 'modestly more bullish' for 2020 crude earnings

BRAEMAR ACM Shipbroking is "modestly more bullish" in assessing the short to medium-term outlook for dirty tankers, although shrinking crude demand and weaker growth in long-haul trades will weigh on freight rates and earnings beyond 2021.

Demand growth for dirty tankers is set to outpace supply growth in 2020, according to the London shipbroker's quarterly outlook published this week. ACM Braemar sets base demand growth for dirty tankers at 4% in 2020, with an additional 1.4% uplift from lower-sulphur marine fuel regulations, which begin on January 1. Supply growth is seen at just under 3.5%. By 2021, dirty tanker demand is forecast to ease back to 2.5%, almost equal with supply.

Crude runs at refineries for the final quarter of 2019 and 2020 are set to increase in Asia and the Middle East as new capacity comes onstream, boosting seaborne imports, according to the report.

"We expect healthy refining margins and high refinery runs over this quarter to help dirty tanker demand in 2019 to grow 1% year on year," the report said.

"The year-end surge is likely to offset the 0.6% dip in tanker demand and the 1.5% dip in lifting volume seen over the first nine months of the year."

Braemar ACM also put some figures on the differences in earnings for tankers with scrubbers compared to those without the sulphur abatement technology.

A modern, scrubber-fitted very large crude carrier would earn $9,500 daily more than those without a scrubber, the report said. A so-called “eco” VLCC without a scrubber would earn a premium of $6,700 daily. Such vessels are designed and built to maximise fuel efficiency. Braemar ACM estimated average spot rates of $41,500 daily for a VLCC in 2020, $34,500 daily for a suezmax and $26,500 for an aframax tanker.

Braemar ACM believes the seasonal lull in freight rates typically seen over the first and second quarters of the year will be “less pronounced” in 2020. Fewer refineries are anticipated to temporarily shut down for maintenance as many conducted turnarounds earlier this year to prepare for the IMO 2020 marine fuel regulations.

The report also cited falling crude demand from China from 2021 for its cautious outlook beyond 2020. China crude stockpiling was likely to be completed by next year, alongside lower refinery runs in Japan and South Korea. Annual crude import growth in north Asia was expected to halve, to reach 250,000 barrels per day between 2021 and 2014, according to the report.

Between the lines: Information blackout

IN AN attempt to been seen as more than just a “box mover”, shipping lines are investing heavily in their digital and e-commerce platforms, offering a multitude of related services on their websites. Yet, a central e-commerce tool that has been a part of their core offering for many years — the humble point-to-point schedule search tool — is seemingly an afterthought for several shipping lines.

In issues 434 and 435 of our weekly analytical report, the *Sea-Intelligence Sunday Spotlight*, we looked at the available search features in the point-to-point tools of the top 15 shipping lines, while also reviewing the different layers of the output results, to see which carriers provide their users with a more finely tuned and in-depth schedule search experience.

In this edition of *Between the Lines*, we will take a cursory look at what has changed since our previous analysis in 2016, while taking a detailed look at the search results for several predefined categories.

Do carriers provide enough information on their online tools?

Before diving into the deep end, there are some methodological choices we believe are imperative to highlight.

The primary objective of our analysis was to investigate the availability of several levels of information within the carriers’ point-to-point search tools. We did this by searching for various port-to-port combinations, while also searching for transhipment points and inland destinations.

We limited ourselves to the point-to-point tools on the carriers’ websites, which means that carriers may, for example, have vessel details elsewhere on their website, but if they are not accessible via the search results from their point-to-point tools, we have not included them in the analysis.

That said, we would like to draw readers’ attention to a very critical point; when looking at the available information, our results have been strictly structural, which means that we are not in any way measuring the correctness of the information, merely the availability of it.

For the sake of brevity, we are going to focus on the first and second layer of the search results, while also looking at the differences in search features for the carriers from the last time we did the analysis in 2016 to now.

To generate these results, the most used port-to-port combination was for Shanghai-Rotterdam. However, for carriers such as Zim and Wan Hai that do not offer a product on the Asia-northern Europe trade, we used a port-to-port combination on Asia-North America. For Pacific International Lines, we searched for port-to-port combinations on Asia-Indian subcontinent/Middle East/Africa.

An overwhelming majority of the carriers provide a comprehensive level of information within the initial search results, while also providing considerable depth of information through a minimal interaction with the result elements.

While Hapag-Lloyd provides the highest level of information within the primary results, most of it is not without some interaction with the result elements. Only six results are available within the initial results, with another 13 present through interaction with those elements. Maersk Line, however, provides the most information within the initial search results, with the only missing piece of information being cargo availability.

While many carriers provide a somewhat decent amount of information, there are a few notable omissions.

Mediterranean Shipping Co does not provide dates (arrival, departure, cut-off) by the hour, while only Cosco, Hamburg Süd and OOCL provide cargo pickup dates. Evergreen does not provide terminal information, while both Evergreen and OOCL do not provide any vessel information. On the other end we have Wan Hai and PIL, whose point-to-point tools provide little information for the shippers.

Given that the point-to-point search tools for both these carriers are missing cargo cut-off dates, terminal information, and most of the vessel information as well, it does not seem as if the point-to-point tools are a priority for these carriers in their interaction with shippers.

CMA CGM and APL provide information for most categories. For APL, the change in the website's structure to match that of CMA CGM has increased the level of available information drastically. Only CMA CGM, Hapag-Lloyd, and APL provide the opening hours of the arrival and departure terminal, whereas Maersk Line, Hapag-Lloyd, and ONE are the only carriers to provide documentation closing time.

Furthermore, contact information for the terminals is only provided by five carriers, whereas the port schedules can be accessed from the point-to-point tools of only six carriers. Evergreen provides information in only three categories, while PIL only provides the service route map. Wan Hai only provides information for four categories, two of which are the actual time of arrival and actual time of departure.

Concerning changes in search features since 2016, not much has changed. While some carriers added incremental improvements to their already detailed point-to-point search tools, only a handful of carriers have seen a marked improvement.

Hamburg Süd has seen the biggest improvement with the addition of five new features, followed by HMM with addition of three. Most of the carriers, however, have only seen an improvement to their search windows. The bottom line is that some carriers, like MSC, PIL, and Wan Hai only provide a bare minimum of information.

While the remaining carriers do provide more information, the improvement has been incremental, and not as overwhelming as would be expected today. It is surprising that while six carriers do not provide a cargo cut-off date, nine carriers do not even provide a VGM cut-off, which is critical for stowage, and safety of both the crew and the vessel itself.

North America West Coast laden imports fall

While there are talks of a "Phase One" deal between the US and China, the current tariffs are having a considerable impact on the transpacific trade.

On the North America West Coast, laden imports grew by a marginal 0.7% in the third quarter of 2019. This is on the back of a 0.2% growth in the first quarter and a 2.0% contraction in the second quarter of the year.

In the first nine months of the year, laden imports have contracted by 0.4%, which is the first-ever nine-month contraction in laden imports in 2010-2019.

In comparison, the corresponding period last year saw a 3.2% growth, while the average 2013-2018 nine-month growth was 3.4%.

If we look at the individual months, July recorded a 1.4% growth against an average of 3.8%, August recorded a 3.6% growth against an average of 3.0%, while September contracted by 2.7% against an average of 3.9%. All averages are for the 2013-2018 period.

Schedule reliability in the third quarter

Schedule reliability in 2019 has been a considerable improvement compared with 2018, with all three quarters of 2019 recording an improvement. In the third quarter of the year, global schedule reliability reached 79.9%, which, although lower by a slight 0.4 percentage points on the second quarter, was 9.1 percentage points higher than the same period last year.

The global average delay of late vessel arrivals on the other hand, was on the higher end of the spectrum in the first two quarters of the year, and with the quarterly increase of 0.42 days in third quarter to 4.28 days, has become the highest for the third quarter in the 2012-2019 period.

Furthermore, the global average delay for late vessel arrivals in the third quarter was the third-highest of any given quarter in the analysed period.

Wan Hai was the most reliable top 15 carriers in the quarter with schedule reliability of 89.4%. This also means that Wan Hai has been the most reliable top

15 carrier in seven of the past 11 quarters, while being within one percentage point of the top in another three.

Hamburg Süd and HMM followed Wan Hai with schedule reliability of 88.8% and 86.8%, respectively. There were another seven carriers with schedule reliability higher than 80.0%, while OOCL recorded schedule reliability of 79.9%.

PIL and the trio of Alliance carriers make up the bottom four, with Hapag-Lloyd and Ocean Network Express recording schedule reliability of 79.0% and 75.3%, respectively, PIL scoring 74.6%, while Yang Ming was at the bottom of the table schedule reliability of 73.2%.

In the third quarter of the year, 11 of the top 15 carriers recorded an improvement in reliability, although the largest increase was of only 2.2 percentage points by ZIM. Hamburg Süd, APL and Wan Hai all recorded a 1.2 percentage point improvement, while seven carriers recorded improvements of under one percentage point. Maersk Line did not record any change, while MSC, ONE and PIL all recorded declines of 0.4, 1.7, and 3.7 percentage points, respectively.

All top 15 carriers recorded an annual improvement, with 10 carriers recording double-digit improvements, with another four recording improvements higher than nine percentage points.

CMA CGM recorded the smallest improvement, of 7.3 percentage points. On the other end of the scale, Wan Hai recorded the largest improvement, of 21.7 percentage points, followed by HMM and Evergreen with 16.9 and 15.7 percentage points, respectively.

All three carrier alliances saw an improvement in schedule reliability in the third quarter of the year, with 2M crossing the 90% mark for only the second time, with schedule reliability of 90.4% in in the third quarter. Ocean Alliance was the second-most reliable carrier alliance with 86.5%. The Alliance scored 73.2% in the quarter, and was the least reliable alliance, as it has been consistently since the launch of new alliance structures in April 2017. 2M recorded the largest improvement of 16.9 percentage points, followed by both Ocean Alliance and The Alliance with a 6.7 percentage point improvement.

In terms of annual changes in schedule reliability on the six major east/west trade lanes in the third quarter of 2019, five trade lanes recorded an increase in reliability. Asia-North America east coast was the only trade lane to record a decline, dropping down to 59.2%. Asia-North America west coast recorded a considerable 19.7 percentage point increase in schedule reliability to 78.8%.

Schedule reliability also improved on both Asia-Europe trades, with Asia-northern Europe improving by 11.5 percentage points to 89.4%, and Asia-Mediterranean improving by 15.7 percentage points to 91.4%.

Similarly, schedule reliability improved on both hauls of the transatlantic trade, with westbound improving by 6.1 percentage points to 79.4% and eastbound improving by 8.6 percentage points to 87.8%.

Seaspan positive on charter market in 2020

CONTAINERSHIP owner Seaspan Corporation sees many positive factors combining to support the strengthening of the charter market going into 2020 despite the firm's lower revenue in the third quarter of the year compared with the same period last year.

The company reported quarterly sales of $282.7m — a 4.16% decrease on sales of $294.9mfor the same period last year. It reported quarterly earnings of $0.11 per share, which is a 69.4% decrease compared with earnings of $0.36 per share from the same period in 2018.

Bing Chen, president and chief executive, in a conference call and presentation explained the 4.16% decrease in revenue for the quarter as "primarily due to our charter modification agreement in first quarter 2019, from which we received an upfront payment of $227m".

Mr Chen also said the firm's better-than-expected operating income of $116m was driven by continued focus on cost efficiencies.

Looking ahead, Mr Chen said the firm is "happy" to grow its fleet and to pursue "accretive acquisitions". He said Seaspan sees increasing attractive opportunities among its network of partners and the firm remains "very focused" on fleet growth at the right price.

"We see growing opportunities to broaden and deepen our customer partnership as our sector stabilises into a new normal marked by

consolidation. And we expect our momentum to continue throughout the remainder of the year," he said.

Peter Curtis, executive vice-president expanded on the fundamentals, saying that during the past quarter, the charter market continued to move in a positive direction despite the backdrop of "softened rates" on mainlane trades.

He said that markets "continued to be buoyed by IMO 2020 preparations resulting in significant increases in rates among smaller vessel sizes and marginal improvements for larger vessels because of limited supply".

The limited number of deliveries and low orderbook-to-fleet ratios support rate stability for the rest of 2019, added Mr Curtis.

"We expect that the tailwinds remain into 2020 due to the low levels of vital tonnage, the IMO 2020 and scrubber installation dynamic, and the solid demand in inter-regional trade routes," he said.

He predicted that most of the time charter fleet will switch to burning low-sulphur fuels during the fourth quarter of 2019 with tank cleaning, as well as scrubber retrofitting, providing a boost to vessel earnings, as vessels are removed from services.

While remaining focused on being "patient and disciplined" with capital allocations, Mr Curtis said that in the 9,600 teu size segment, particularly, "we believe there is support for stabilised and improving rates, given the lack of newbuilds and the polarised orderbook".

He noted that the 9,600 teu size segment is "important for many trade routes for reasons including upsizing, volume improvements, port infrastructure and the land-side logistics capability upgrades".

In September, Seaspan closed an agreement to purchase a 2010-built, 9,600 teu containership to be delivered by the end of April 2020 and boosting its fleet to 113 vessels.

Seaspan expects the vessel will enter a 36-month fixed rate time charter with Ocean Network Express.

On the supply side, the idle fleet, orderbook and demolition volumes have shown a continuation of positive fundamentals into the third quarter of 2019.

Deliveries have slowed significantly to the lowest level in more than a decade, with the orderbook-to-fleet ratio near all-time lows at a just above10%.

Other positive fundamentals include the continued trend of consolidation in the liner space, albeit among smaller regional operators.

Additionally, he said, there increasingly seems to be the potential of further positive developments from slow steaming "as liners manage higher fuel prices, especially as we track into 2020".

The year-to-date scrapping rate is below expectations at the beginning of the year, in part because of improved time charter earnings, as well as lower-than-expected scrapping prices.

"We continue to expect the pace and volume of demolitions to increase during 2020, as all the less efficient tonnage is removed from the market due to the higher fuel prices," said Mr Curtis.

IN OTHER NEWS

Maersk's Søren Toft steps down

MAERSK today announced that chief operating officer Søren Toft is leaving with immediate effect to pursue opportunities outside the company.

Chief executive Søren Skou is to take on the responsibilities of the COO in the interim, the company said.

Mr Skou said: "I have worked with Søren for many years, and I appreciate Søren's many contributions to AP Moller-Maersk. He leaves an agile and strong operating organisation and we all wish Søren the very best in the future."

Mr Toft has been with Maersk since 1994, rising through the ranks join the executive board in 2017. He was previously chief operating officer at Maersk Line and was responsible for global operations of the liner businesses. He oversaw the acquisition and integration of Hamburg Süd and was a member of the Hamburg Süd advisory board.

Box shipping's mini-recovery must be seen in context

SUPPLY-side changes are behind a "mini-recovery" in container freight rates but should not be relied on to provide a permanent solution to box shipping's structural problems, according to Drewry.

The assessment comes after a recent resurgence in spot rates, which have risen by more than $200 per feu in the past couple of weeks.

While still below last year's figures, Drewry points out that the third quarter of 2018 was characterised by high levels of blankings, which coincided with rising demand as shippers sought to front-load cargoes ahead of tariff impositions.

Against that background, it argues, rates were always going to be lower this year.

But the recent rise in rates was unlikely to have come from a boom in demand, Drewry noted.

"Volumes were moribund in the third quarter peak season and judging by the continued heavy use of void sailings by carriers that situation has not changed dramatically," it said.

Rather, it was changes in the supply side that were driving rates momentum, particularly as more ships go for scrubber fitting, increasing the idle fleet.

While an increased idle fleet does not always lead to increased rates, demand was sufficiently strong that supply-side reductions were translating into more positive utilisation and freight rates, Drewry said.

The introduction of new bunker charges during the transition to IMO 2020-compliant fuels is expected to see rates rise further.

"This process is expected to ramp up in December and should contribute to a strong end to the year for carriers, running contrary to what was seen at the end of 2018," Drewry said.

But while carriers may welcome the upturn in rates, they should bear in mind the "slightly illusionary" nature of the upturn, which was achieved by the removal of tonnage and the introduction of costly new fuels.

"Freight rates will continue to rise on account of higher bunker surcharges, but for carriers the true measure of success will be whether or not they rise sufficiently to cover the additional costs," Drewry added.

China Merchants to order VLCC quartet

CHINA Merchants Energy Shipping, the tanker and dry bulker unit of state conglomerate China Merchants Group, is to order four very large crude carriers worth about $340m.

The proposal has won board approval, while the shipbuilding contract will be signed "in due course", the Shanghai-listed company said in an exchange filing.

The designation of yards and schedule of deliveries were not disclosed. But the price tag of up to $85m per ship suggested the orders will be placed in China.

CMES owns 53 VLCC in operation, having just taken delivery of the most recent unit on order from Dalian Shipbuilding Industry on Friday.

Matson projects $30m-$40m boost in post-2019 annual earnings

MATSON expects to earn approximately $30m in financial benefits in 2020 from new vessels and other infrastructure investments and $40m annually thereafter, the company has said.

The announcement came as Honolulu-based Matson reported third-quarter sales of $572m, a 2.94% fall in its sales of $589m for the same period last year. Its quarterly earnings of $0.84 a share represented a 13.4% decrease compared with earnings of $0.97 for 2018's third quarter.

Matt Cox, Matson's chairman and chief executive, said results in the third quarter of the year came in "as expected".

"Ocean transportation was slightly weaker than expected, with strong demand in China, but we also saw weakness in our Hawaii market and a softer-than-expected volume in our Alaska service," he said.

"In logistics, we saw a stronger performance, with nearly all service lines making positive contributions to operating income," he said.

He said the company was maintaining its 2019 consolidated income outlook.

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