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Premium rises not linked to IMO 2020, North Club says

THE CHIEF EXECUTIVE of North of England P&I Club, Paul Jennings, does not see any basis as yet to levy any additional premium relating to the risks linked to the mandatory low-sulphur transition being forced on international shipping.

Drawing on his observations, Mr Jennings suggested that major shipowners appeared to have taken steps to test fuel quality and to prepare their bunkering operations before the International Maritime Organization's 0.5% limit on sulphur in marine fuels takes effect on January 1.

These can go towards mitigating the risks of any increase in claims owing to crew casualties.

On the flip side, he said that there are signs of more "contractual" rather than "physical" issues surfacing post-IMO 2020 implementation.

"We expect to see disputes over fuel types and availability."

He also holds the view that P&I Clubs generally should not have seen any need so far to raise premiums to cover any potential jump in claims spilling over from the low-sulphur transition.

Even so, several P&I Clubs have raised their premiums from next year.

In late November, North Club unveiled a 7.5% general increase on members' premiums for renewals from February. That came weeks after the Standard Club announced a raise of the same quantum, citing

an increase in the number and the scale of larger claims.

Mr Jennings was speaking to Lloyd's List on the sidelines of an event hosted by the International Group of P&I Clubs. North is one the 13 International Group clubs.

International Group's chief executive Nick Shaw said that the P&I clubs associated with the group would collect data relating to bunker-related incidents from January 1.

IG wants to harness such data to alert members of the 13 clubs about any "hot spots" relating to bunker incidents around the world.

The 13 P&I clubs cover more than 90% of the world's oceangoing tonnage.

OPINION

Viewpoint: Logistics log-jam

HAVE the best ports in the world reached what might be described as "peak stevedoring"? *asks Michael Grey.*

They have spent a king's ransom on monstrous shiploaders that will reach across half the harbour and handle two boxes simultaneously.

More fortunes have been invested in ground-handling equipment of astonishing sophistication, much of which has to be converted to use electricity to meet carbon targets. Wonderful software systems have been devised to integrate it all, so that the whole operate is as smooth as silk and a 23,000 teu ship can be handled at the same speed as one of half the size would have been, a decade ago.

Heaven knows how they pay for it all.

If it is all working well, they cannot move the cargo on and off the ship any faster or use the terminal in a more optimum fashion. It is a study in synchronous motion and almost impossible to think of how it can be made more efficient.

And yet, customers are still not satisfied, stubbornly refusing to admit that their insistence on ships that are almost too big to handle may be responsible for the traffic jams at the terminal gates, or the increased "dwell time" on the terminals themselves.

They demand that ships get into port faster and the tug masters and pilots are harassed to hone their performance. But there is a limit to what can reasonably be done in the port itself, as the reality of trying to transport all this cargo in and out sinks in.

The port and its terminals can only do so much and if the logistic flow is to be realistically increased, both municipal and national governments and their transport ministries must step up to the plate.

You can have adjacent feeder and inland barge berths working efficiently, and liner trains running like clockwork out of their long sidings. But there is no getting away from the fact that lion's share of this cargo is going to be carried by thousands of trucks.

They will be serving the terminal directly, delivering and picking up from the railheads and feeder ports, and they will demand better roads and more of them, while contributing massively to pollution and congestion. You may say that this is just part of the price of progress, but there is no getting away that the situation has been exacerbated by the advent of the giant ships.

There is also no escaping the fact that at a time of heightened environmental consciousness, which is not going to go away, big, diesel-engined ships and truck fleets that are mainly diesel driven have become perceived as a public enemy by a substantial part of the population.

Tottering on the edge

You may suggest that gradually, the road haulage component will move into cleaner forms of transport, with compressed natural gas, hydrogen and even electric propulsion. But who is going to pay for that in a road haulage sector that is working on margins that are even smaller than the miserable rewards being earned by sea carriers?

It is no coincidence that one of Europe's biggest road hauliers is tottering on the edge of bankruptcy.

And the landside logistics log-jam is not going to go away in a hurry, with every road improvement scheme, port development or new railway fiercely contested by environmental and other interests, who have yet to link the goods they buy in their shops with the transport that moves it there.

You may think of it as the “Thunberg effect” and such is the rising level of environmental zeal that the contest between hope and reality will become ever-more heated.

Perhaps we are going to be shamed into consuming less stuff, with enraged crowds of millennials and soldiers of Extinction Rebellion besieging Amazon warehouses and blockading the terminal gates. You get the impression that there are a lot of folk spoiling for a fight as the new religion takes hold of the minds of those who believe in nothing much else.

We have come a long way from stevedoring — the handling of goods in and out of ships, but it is easy to make linkages between this important task and the social changes that are taking place in western industrialised countries.

You can see strange little things happening, like last month two of the major UK supermarkets electing to stop selling Christmas crackers because of their plastic internals, carried in umpteen 40 ft boxes to meet the Christmas rush in 20,000 teu liners.

Who remembers the fuss made about the first 18,000 teu ship arriving at a British port, when all the positive noises about the maritime technology were drowned out by screams about all the rubbish the ship was carrying?

We maybe should have seen this as a first sign of western consumerism and its hunger for “stuff” coming under attack.

Five or six years on, the panic about environmental issues is really getting under way. If I was thinking about my next fleet of 23,000 teu vessels, or how to re-equip my terminal at stupendous cost, there is some food for thought.

‘Winning’: The most overrated word in a trade war

IN a world in which President Donald Trump rips news reports as “fake news”, the one thing he cannot dispute as facts are his Tweets and the flow of trade. Both provide you with the rhetoric clouding the trade war reality, and the truth that blasts the bluster, *writes Lori Ann LaRocco*.

On March 2, 2018, President Trump tweeted: “Trade wars are good and easy to win.” What exactly is a ‘win’? To prove such declarations, one must look at the flow of trade, the one leading and agnostic indicator that proves winning or losing.

The phase one target of $40-50bn in agricultural business purchases is already a loss for the industry. This is proven by the volume of containers and cargo.

According to US Customs in 2016 and 2017, China purchased $49.807bn in agriculture products. The agricultural industry was already making close to $50bn before the trade war. Since 2018, the agricultural industry has been running at a trade loss of $11bn and counting. The target number should have been set for over $61bn for it to be a ‘win’ to make up for the lost trade.

China’s reported pushback on the $50bn makes sense because of its expanded trade negotiations with other countries. China continues to buy more Brazilian-grown soyabeans than American-grown soyabeans. An outbreak of African swine fever has wiped out 41% of its pig population, which has been documented by the decreased flow of Brazilian soyabeans to China.

China doesn’t need as much agricultural product, and it now has new preferred trading partners. The 0.2% growth in transpacific volumes in the first 10 months of 2019 shows the strain of these trade negotiations and diversion in the flow of trade. Is that a win?

ANALYSIS

The Interview: Hugo De Stoop

HOW does a company that is among the most publicly committed to contributing to shipping’s decarbonisation reconcile with the fact that its fortune ostensibly depends on the popularity of a fossil fuel?

Euronav is one of the largest transporters of crude oil in the world, boasting a fleet of more than 70 tankers.

It is also among the leading partners of the Global Maritime Forum and of the Getting to Zero coalition, launched earlier this year with the goal of developing commercially viable zero carbon vessels by 2030.

"We want to show we are a good citizen in this world," Euronav chief executive Hugo De Stoop tells Lloyd's List during a recent interview.

At first sight, the effort, however, may appear to be counter intuitive; the quicker the world gets to a point where it no longer needs fossil fuels, the quicker companies like Euronav will lose the very nature of their business, the argument goes.

"My answer to that is that it's going to happen with or without Euronav. It is not because Euronav is not a part of this coalition, it will not happen. Quite frankly, it would be naive to think that," Mr De Stoop says.

"I always prefer to be part of the coalition."

Although known for moving oil, Mr De Stoop sees the company first and foremost as a shipping business.

"If, tomorrow, you ask us to transport water, we agree to transport water, as long as we are being paid for that," he says.

The image of millions of gallons of water shipped on board a very large crude carrier may seem strange, but it is not a new suggestion. Mr De Stoop believes there will be huge problems concerning water globally in the future.

This would not be uncharted territory for Euronav. Mr De Stoop explains that since 2008 it has had, on two separate occasions, contracts to store water on one of its two ultra large crude carriers.

"And no one knew about it… You are just deploying assets that are making you money," he says.

Tanker owners these days are often looking to expand into other sectors, particularly liquefied natural gas because the commodity is poised for a strong future and new export facilities are set to become operational over the next few years.

Euronav will not be taking the same approach any time soon.

Investors love pure players, Mr De Stoop believes, and Euronav's shares would fare very badly if it were to diversify into gas carriers.

"Investors have the right and the opportunity to invest in that sector, they should not be forced to. Euronav will continue to be a pure player," he insisted.

Changing the product from water to oil, in Mr De Stoop's view, is a simpler transition.

"The difference is going to be I am not going to buy or build an asset completely different from the one we operate and therefore force investors to go in that direction," he says.

Scaremongering

Although there is intense pressure on global industries and economies to decarbonise and divest from fossil fuels, demand for oil is not slowing down.

"Peak oil and, more importantly, the sharp decline of the transport of crude oil is not in our sight," Mr De Stoop says.

Indeed, projections from the International Energy Association suggest that oil demand will plateau after 2030.

Others see a more immediate climax for black gold. DNV GL forecast earlier this year that peak oil demand will happen in the mid-2020s, followed by a rapid decline in the 2030s.

Mr de Stoop said even if peak oil demand arrived in 2023, the decline would not be sharp and, combined with decline in the supply of new tankers the industry is currently witnessing, the sector is well prepared for this scenario.

"We should not be afraid of peak oil, no matter when it happens," he says.

The Getting to Zero coalition is still very much in its early stages, still growing in membership and without a fixed agenda at the moment.

Mr De Stoop said the coalition will have its first meeting this December at which the stakeholders will decide which working groups they will be a part of.

He is eager for Euronav to be in the working group that considers carbon capture storage as a tool to cut down emissions.

"A lot of people are convinced it will be part of the solution," he says.

Whatever the technologies, bringing about zero emission vessels will require considerable funding and the industry knows this.

Mr De Stoop deems that a carbon levy on shipping emissions could be "interesting" because it offers a direct opportunity to the industry to finance its research and development, while being less dependent on government spending.

"And the idea behind a carbon levy is to demonstrate that we, as an industry, can organise ourselves in a way that would be beneficial for the environment and beneficial for the industry," he says.

Lloyd's List reported earlier this year that some of the biggest industry organisations are designing a proposal for a research and development fund based on a mandatory $2 fuel levy.

Looking ahead to 2020

Regardless of the cargo, shipping emissions will face increasing scrutiny, Mr De Stoop predicts.

"I also believe public companies have potentially more responsibility than private companies. And that is what our investors are asking," he says.

Attention to environmental, social and governance factors is no secret. Neither is the importance investors attribute to regulatory compliance.

Euronav has garnered arguably unique interest regarding its pronounced approach to the 2020 sulphur cap, for which it will rely exclusively on compliant fuels because it has not installed any scrubbers on its tankers.

Mr De Stoop has been vocal about sulphur cap preparations, hosting a special presentation in September that disclosed the firm's strategy of procuring, storing and bunkering its own fuels.

It bought 420,000 tonnes of compliant-fuel oil and marine gasoil earlier in September to power its fleet, and stored it on one of its ultra large crude carriers.

The company has established Malaysia's Linggi Port as it supply base for very-low sulphur fuel oil. About 70% of Euronav vessels pass through that destination, according to Mr De Stoop.

He says the company is "definitely thinking" about replicating the Malaysia deal. But before doing that, he wants to ensure all the bunkering operations, as well as the transition for the vessels using the new fuels, go smoothly.

"It would be a waste to have done all of that work and all of that investigation and not use it in the future. We are thinking about not only other locations but we are thinking about doing it again," he said.

The lessons Euronav has learned are many and difficult.

Some fuels are less stable than others and require continuous movement, Mr De Stoop says. The firm has implemented a cargo care programme.

"It is a strict way of looking at evolution of fuel, the way it ages, and making sure there is no stratification," he says.

With the product they have brought, a key focus was to ensure blended fuels do not separate.

But Euronav also learned about the significance of temperature and perhaps most importantly, fuel contamination.

Simply relying on lab analysis from refiners may not be enough to guarantee that the fuel meets the 0.5% limit and is not contaminated; you need to make sure samples are taken at the very last point before it goes on the vessel.

"Quite frankly this was a lesson not just for Euronav, it was a lesson for the entire industry," he says.

All these insights along with a considerable stockpile of fuel waiting to be consumed make Mr De Stoop pretty emphatic about the company's preparedness for the global sulphur cap.

"On compliance, I am 100% confident," he says.

Euronav is no doubt a big company. But it also has big competitors.

Apart from its size, the firm's recent history has helped generate intrigue and anticipation.

Mr De Stoop's predecessor Paddy Rodgers was an outspoken critic of scrubbers, decrying their potential environmental impact and fearing them to be sunken costs, while some other very large crude carrier owners have decided to spend on the abatement technology.

Since then, Mr De Stoop has decided that Euronav will take a wait-and-see approach to the matter.

"I think people don't really understand our strategy and it is a pity. Our strategy is very safe," he says.

Euronav has what Mr De Stoop calls the luxury of time; with the price spread between high sulphur fuel oil and VLSFO still unknown, the company can sit back, observe and wait for the fuel market to evolve while using its VLSFO stockpile.

MARKETS

World boxship fleet update: Scrubbing out capacity

CONTAINER carriers have been keen to emphasise an improving balance between supply and demand in the boxship sector, and point to the removal of active tonnage for scrubber retrofits as evidence of the reduction of capacity.

This is true, to a point. The latest figures from Lloyd's List Intelligence put the capacity of idle vessels, those that have been recorded with no AIS movement for at least 25 days, at 806,083 teu at the end of November.

This represents 3.6% of total fleet capacity, and marks the highest amount of unemployed tonnage this year.

Figures from Alphaliner put the idle fleet even higher, with 225 containerships, comprising 1.3m teu, inactive as of November 25.

"Of these, 83 ships for 839,130 teu are inactive due to scrubber retrofits, accounting for 63% of the inactive capacity and 3.6% of the total cellular fleet," Alphaliner said.

Part of the reason behind the increased number of ships in lay-up for scrubber fitting is the length of time it is taking to have exhaust cleaning systems installed.

"Owners are reporting significant delays at shipyards which are currently straining to cope with the large number of retrofit projects prior to the implementation of the new IMO 2020 regulations due to limited access to trained labour and subcontractors," Alphaliner said.

Average yard stay for ships that have completed their retrofits currently stands at 58 days, excluding waiting time and positioning days.

According to Clarksons, vessel time out of service for scrubber retrofit is estimated to absorb 1.5% of boxship fleet capacity across full-year 2019 and 2% of capacity in 2020.

IMO 2020 is also likely to be behind other steps to absorb capacity, it added.

"Decreases in speeds, already down c.2% in the year to date, are ongoing as part of operators' efforts to manage fuel costs," Clarksons said.

But not everyone is convinced that scrubber installations will have a serious impact on fleet developments.

Speaking earlier this week, BIMCO chief shipping analyst Peter Sand said there had been only "anecdotal" reports of scrubber retrofitting having an impact of the fundamental fleet balance.

"We have seen an increasing number of ships being taken out of active service and put into yards for retrofitting," he said.

"But as we are operating with overcapacity, it hasn't brought around stronger freight rates as a balanced market would deliver when active capacity is removed from the market."

There are few positive signs of that overcapacity being removed soon, either. Clarksons said demand growth of 2.6% in 2020 would be outweighed by supply growth of 3.2%.

"Looking ahead to 2020, global container trade growth in teu-miles is projected to pick up slightly to 2.6% (3.1% in teu), with support from projected improvements on some non-mainlane trades," Clarksons noted. "However, risks to the outlook are mainly on the downside."

On the positive side, boxship orders had been relatively subdued in 2019, apart from a few notable exceptions, such as Evergreen's order for six 23,000

teu vessels, and five of a similar size ordered for Mediterranean Shipping Co.

For next year, Maritime Strategies International is forecasting just over 1m teu of deliveries, accounting for slippages and cancellations.

But it warned that a repeat of two "surprise" factors seen this year — a low volume of delayed deliveries and low volume of scrapping — could place its forecast of a deceleration in fleet growth at risk.

"We expect a higher volume of demolition activity in the coming quarters, although much will depend on how long scrubber-related disruptions will continue to buoy up the earnings of mid-size containerships, as without the larger units, a high aggregate level of scrapping is hard to achieve," MSI said.

Lloyd's List Intelligence figures put the global containership fleet at 22.4m teu at the end of November, up just 42,000 teu from a month earlier.

Deliveries were dominated by the 23,756 teu MSC Mia and 11,100 teu MSC Kanako, but there were no new orders reported during the month.

Scrapping, however, remained low-key, with Lloyd's List Intelligence recording just 6,500 teu being taken out of service permanently.

IN OTHER NEWS

Norden to test biofuel bunkers

DANISH shipowner Norden plans to test a second biofuel alternative on one of its vessels, using technology developed by Kvasir Technologies that converts lignin biomass into a liquid marine fuel.

Kvasir Technologies, described as a spin-off from the Technical University of Denmark, entered a three-and-a-half-year collaboration with Norden, according to a statement. Norden didn't provide any date for when the testing would begin but said it would occur "later".

The plant material-to-liquid fuels technology is one of a series of alternatives being tested by European shipowners amid rising pressure to find a commercial alternative to oil and liquefied natural gas to fuel ships and meet decarbonisation targets over the next decade.

CSSC unveils LNG-powered 25,000 teu ship project

CHINA State Shipbuilding Corp has rolled out two new products of gas-fuelled ultra-large containerships as the newly merged group flexes its innovation muscle during the Marintec China event this week.

Hudong-Zhonnghua Shipbuilding, a flagship yard of CSSC, unveiled the design of a 25,000 teu vessel powered by liquefied natural gas.

The 432.5 m long, 63.6 m wide ship, is equipped with 12 cargo holds that can carry up to 25,600 teu and a B-type LNG bunker of 20,000 cu m in maximum capacity. It has won approval in principle from DNV GL.

Teck Resources eyes boost in coal exports following rail deal

TECK Resources, a Canadian metals and mining company, has signed a long-term agreement with the Canadian National Railway, known as CN, for the transport of metallurgical coal between the firm's British Columbia mining operations and Neptune Terminals in the port of Vancouver.

"This agreement and the associated infrastructure investment will provide us with rail capacity to match the major upgrades under way at Neptune Terminals," said Teck president and chief executive Don Lindsay.

The agreement, which runs from April 2021 to December 2026, also provides for investments by CN of more than $95m to enhance rail infrastructure and support increased shipment volumes to Neptune.

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