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Maersk climate targets unaffected by coronavirus

MAERSK HAS NO plans to diverge from its self-imposed decarbonisation targets despite the coronavirus backdrop.

The world's largest containership operator has declared its ambition to have net zero emissions from its operations by 2050. For that to happen, it will require commercially viable zeroemission vessels by 2030. It has also committed to reducing its relative emissions in terms of cargo carried by 60% by 2030 compared with 2008.

Maersk vice-president and head of fleet technology Ole Graa Jakobsen said he hoped the coronavirus backdrop, which has led to a global economic downturn and a bleak forecast for shipping, is a short-term problem that could soon be resolved.

"This short-term impact — no matter how short it is — is not going to change our [climate] ambition. We are reconfirming that we are still as ambitious as we have been on the carbon agenda. So no changes there," he told Lloyd's List.

Earlier this month, Maersk chief executive Søren Skou warned that containership volumes would drop by as much as 20%-25% in the second quarter. He argued, however, that Maersk was well positioned to weather the impending storm.

Mr Jakobsen was speaking after six Danish companies, including Maersk, unveiled their plan to set up a green hydrogen and e-fuels production facility in Denmark. If the project materialises, it could produce 250,000 tonnes of sustainable fuels annually for ships, buses, trucks and airplanes.

He said that the partners had agreed on the project before the coronavirus pandemic erupted and delayed their announcement.

“We need to stimulate a lot of the land-side changes that need to happen in order to have fuel available,” he added.

Maersk is interested in using methanol produced in this production facility. That methanol would be developed by combining the renewably produced hydrogen with sustainable carbon capture.

Mr Jakobsen noted that Denmark, and the Copenhagen municipality area in particular, has access to such sustainable carbon, including that coming from power plants running on biomass.

The six partnering groups will seek financing for project’s feasibility study from the Danish government but also from sources outside the country, Mr Jakobsen added.

“Later on, we need to look at how we actually get this up and running, how do we get the capital expenditure investment up and running, and afterwards how do we support the additional operational costs,” he said.

A point of reference is the evolution of the Danish wind power industry, according to Mr Jakobsen. Subsidisation during the early years of the industry with the intention to help mature the technology and cut down costs, has led to the cheap production of electricity based on wind turbines.

“The vision is that that is needed on a grand scale to bring costs down,” he said on the production of sustainable fuels.

Maersk is also carrying on with other side projects, investigating the potential uses of alcohol, biomethane and ammonia as fuels for ships.

Mr Jakobsen said that Maersk’s customers have shown an interest in decarbonising shipping and have been financing some of these endeavours by being willing to absorb some of the added costs.

“We are going to need to see the whole supply chain engaging,” he said.

WHAT TO WATCH

Danish companies unite for green hydrogen project

A GROUP of Danish companies have formed a coalition to develop a green hydrogen and e-fuels production facility.

The project, which includes Maersk, DFDS and DSV Panalpina, marks the shipping industry’s direct involvement in the developments of zero emissions fuels.

The coalition will partner with airline SAS, Copenhagen Airport and Danish energy firm Orsted to develop the facility as soon as 2023.

Once fully scaled up by 2030, it could yield more than 250,000 tonnes of fuels for ships, buses, trucks and airplanes annually. This could cut annual carbon emissions by 850,000 tonnes.

“If realised as envisaged, the project will be located in the Greater Copenhagen Area and could supply renewable hydrogen for zero-emission buses tendered by Movia and heavy-duty trucks managed by DSV Panalpina, renewable methanol for A.P. Moller-Maersk vessels and renewable jet fuel (e-kerosene) for SAS airplanes and air transport out of Copenhagen Airports,” the companies said in a statement.

The companies said they will seek public co-funding for a feasibility study into the project.

“If the feasibility study confirms the viability of the project vision, a final investment decision for the first stage of the project could likely be taken as soon as 2021,” they said.

Maersk, which has committed to having net zero emissions from its operations in 2050, has previously singled out alcohol (ethanol/methanol), biomethane and ammonia as zero emissions fuels it would like to explore further.

Maersk chief executive Soren Skou said the project is a first step in the massive transformation to produce and distribute sustainable energy and added companies in Denmark can take the lead in this area.

"We need many such projects both in Denmark and around the globe to achieve our ambition in Maersk of becoming carbon neutral by 2050," he said.

DFDS chief executive Torben Carlsen said co-operation of fuel users and producers with scientists and society is the fastest way to make sustainable fuels available as realistic alternatives to fossil fuels.

"I hope that this partnership and our project will help us reach our goal of operating zero-emission ferries and trucks much faster than we had originally anticipated," he said.

The ultimate electrolyser capacity for the facility, likely based on offshore wind power produced at Rønne Banke off the island of Bornholm, could reach 1.3 GW, possibly making it one of the largest of its kind globally, according to the partners.

The capacity build-up will be gradual and production of maritime fuels is anticipated to begin around 2027. In 2023 under the first stage, a 10 MW electrolyser will be installed that can produce renewable hydrogen used directly to fuel buses and trucks.

Shipping and aviation's fuels would come during the second stage, when a 250 MW electrolysed is added by 2027, once the first offshore wind power from Bornholm could be delivered.

"This facility would combine the production of renewable hydrogen with sustainable carbon capture from point-sources in the Greater Copenhagen area to produce renewable methanol for maritime transport and renewable jet-fuel (e-kerosene) for the aviation sector," the companies said.

The third stage would see the upgrade to 1.3 GW by 2030, when the offshore wind potential at Bornholm has been fully developed.

PIL confirms investment talks with Temasek

TEMASEK affiliate Heliconia Capital Management is mulling potential investment in struggling Pacific International Lines, the Teo family-owned boxship giant has confirmed in a Singapore stock exchange announcement.

The move comes after PIL was last month forced to issue a statement to deny rumours that it stood on the cusp of bankruptcy.

It has also sold off many of its assets, including over a dozen vessels, its stake in Pacific Direct Line, and factories owned by its Hong Kong-listed container manufacturing subsidiary Singamas.

Although Heliconia and PIL have signed a six-month exclusivity agreement, negotiations are said to remain at a preliminary stage, with no certainty of reaching any deal.

Nor is it clear whether any cash shot will be in the form of equity or debt, or some mix of the two.

PIL said: "As discussions with Heliconia progress, the board will make further announcements as and when there are any material updates or developments. Until such time, neither the company or Heliconia will make further comments on this matter."

PIL reported a net loss of $35m in the first half of 2019. As at June 30 last year, its debts were heading towards $2bn, with a further $2bn in lease liabilities, while its ready cash had dwindled to just $154m.

The coronavirus is understood to have weakened the company further still, and restructuring talks are already underway with many of its lenders, which are led by Asian banks.

OPINION

Co-operation, not shutdowns, is key to beating virus

ON March 12, the World Health Organization declared the coronavirus outbreak a global pandemic, *writes Moon Seong-Hyeok, South Korea's minister of Oceans and Fisheries.*

The highly contagious disease has now developed into a global health crisis, with at least 300,000 deaths out of nearly 5m cases confirmed in 185 countries over a span of just two months after the declaration. Some experts have even cautiously predicted that the virus could strike a third of the world's population.

As the pandemic takes hold, a growing number of port states have imposed stringent restrictions on disembarkation of seafarers and entry of foreign nationals, while some countries even have gone so far as shutting down their borders altogether, all in an effort to contain the spread of the epidemic.

Although these measures are part of the efforts to prevent and combat the spread of the coronavirus, they may cause unintended side effects by clotting the "bloodstream" of goods and services across borders.

As a case in point, the immediate negative repercussion of these actions is likely to disrupt the flow of food and medical supplies, including face masks all around the world.

Furthermore, even if trade resumes after the pandemic subsides, it would take considerable time and money to restore the free flow of goods to the same level as it was prior to the outbreak since it is likely that confidence in timely delivery as agreed upon in contracts would have been already undermined among cargo owners and shipowners.

In this regard, the global maritime industry is deeply concerned about the adverse effects on the sector and is urging global leaders to seek solutions. On February 13, the International Maritime Organization and WHO issued a Joint Communique to call for close co-operation of all member states to ensure free port entry of ships, known as "free pratique".

On March 31, the International Labour Organization published a statement of the officers of the special tripartite committee on the coronavirus disease to raise awareness among governments that seafarers as key workers should be granted exemptions from any travel restrictions to ensure their welfare and well-being, as well as the undisrupted flow of maritime traffic.

On April 12, WHO, ILO and IMO presented a joint statement to reaffirm their commitment to working together to ensure the ability of shipping and seafarers to continue to deliver vital goods, including food and medical supplies.

Despite these echoing voices of concern, lockdowns are still prevailing across countries, further intensifying the suffering of seafarers who have no choice but to stay on board due to the inability to disembark and perform crew change even after their contractual on board service period is over.

As one of the world's leading trade nations, the Republic of Korea also underscores the importance of ensuring supply chain continuity and uninterrupted maritime trade flow. On that account, the South Korean government has imposed a special entry procedure for travellers entering the country to allow all foreign nationals to enter or depart from the country without impediment and facilitate free movement of goods and people while beefing up its disease control measures.

South Korean blueprint

In particular, South Korea permits seafarers, irrespective of their nationality, to enter and exit the country to facilitate crew change as long as they follow the country's coronavirus screening process at their points of entry.

Of course, stringent procedures to address an influx of coronavirus from overseas are in place. These measures are to ensure that all colleagues on board who will share the voyage can be assured of a safe journey with new virus-free seafarers.

In addressing the possibility of South Korean ships being detained at foreign ports due to possible non-compliance with the requirements of international conventions in relation to crew change and ship certificates amid the outbreak, upon request of shipowners, Korean port authorities will issue to foreign port authorities an official dispensation letter asking for granting the entry of vessels to their ports.

And, putting the health and safety of seafarers first, the government allows the extension of the maximum on board service period of seafarers with the consent of seafarers to the extension of their employment contracts.

With respect to concerns about the validity of ship certificates which may expire due to the inability of ship surveyors or inspectors to embark vessels because of the virus-related restrictions, the government endorses the extension of the validity of existing certificates and associated survey and audits for three to six months from the expiry date. Also, remote ship surveys, audits and inspections are provisionally carried out to foster the unimpeded maritime traffic of South Korean vessels.

Nevertheless, given the inherently interdependent and interconnected nature of the maritime industry, the efforts of a single government alone are far from enough.

In order to tackle the challenges posed by the unprecedented health crisis, all countries must join forces to explore ways through intergovernmental consultative organisations, notably the IMO and ILO.

According to the well-known game theory of the prisoner's dilemma, prisoners pursuing their own self-interests will ultimately lead to the worst outcome for the group.

Likewise, an airtight shutdown of individual members of the international community may provide short-term protection, but when done collectively, it may also end up driving the world's economy into a downward spiral in the long run.

All things considered, now is the time for all countries to widely open borders for free movement of goods and people, transparently share knowledge and experience in disease control measures and vaccines, and actively seek common solutions. This will eventually give rise to "win-win" outcomes for all.

The South Korean government stands ready to fully co-operate to ensure the continued flow of global trade and maritime traffic.

As such, if the world engages with one another in a spirit of co-operation with an open mind, I believe that we can win the fight against this unprecedented coronavirus crisis together and make another great leap forward as a stronger global community.

ANALYSIS

China congress: more stress than relief to shipping

THERE seems not much good news for shipping from last week's gathering of China's National People's Congress.

China has given up its annual growth target for the first time since 1994, due to "great uncertainties" — as its premier Li Keqiang put it — including those caused by the coronavirus. That is a big blow to the demand side.

Some Chinese analysts with a relatively optimistic view argue the missing target is actually "hidden" in the other efforts the government has announced to stabilise the country's economy, led by aims at ensuring employment, meeting basic living needs, and protecting corporations.

A Sunday report by Citic Securities, a unit of China Citic Bank, estimated these measures can be translated into a gross domestic product growth of 3%-3.5% for 2020.

But other observers are less upbeat as the economic stimulus unveiled by Beijing appears to be below expectations.

The package - including central and local government bonds, fiscal deficits and tax and fee cuts - amounts to Yuan10.9trn ($1.5trn), an addition of only about Yuan3.1trn to the 2019 budget. The amount is "not enough to put the economy back on its normal track", said Commerzbank's senior economist Zhou Hao in an article published by Financial Times.

"Therefore, the market will unlikely revise up its previous forecast on [China's] full-year GDP growth of less than 2%," Mr Zhou added.

That means one should not get his hopes up for another round of explosive infrastructure investment such as that seen in the post-2008 downturn, as well as the subsequent dry bulk shipping mini-boom it created.

The greater fear, however, derives from a bigger disruption to global trade brought about by China's decoupling from the US or even the west, with national security laws for Hong Kong also proposed during the NPC.

The political leaders in the Western societies have already voiced their objections — explicitly or otherwise — to the proposal. The US's National Security Adviser Robert O'Brien even said the legislation could invite sanctions from Washington on China and Hong Kong.

Chinese lawmakers will put the drafted laws to a vote on Thursday, and hopes that they will bend to foreign pressure are unrealistic. The irritation to the democratic world seems an additional risk that

Beijing, already facing a global backlash amid the pandemic outbreak, is willing to take.

Rising tension

The escalating tension has in turn led to doubts over how far the world's two largest economies can carry out their trade agreement, even though Premier Li last week reiterated China's pledge to honour the deal.

"The outlook for total soyabean trade remains muddied by US-China trade war. We still expect China to satisfy demand with more US supply later in the year, when Brazil's most recent crop is depleted, but a further deterioration of relations between the two countries represents a downside risk to this trade," Braemar said in its latest weekly briefing.

Apart from grains, the deal also covers billions of dollars of energy products that China promised to buy from the US, and it will also consider the prospects for tariffs on their containerised trade, which is worth even more.

The concerns are already being reflected by stock market investors.

Share prices of major state-owned Chinese shipping firms - including China Merchants Energy Shipping, Cosco Shipping Energy Transportation and Cosco Shipping Holdings - all fell on Friday. On Monday, container shipping-focused CSH saw its Hong Kong-listed share value drop to historical lows since it began trading on the bourse in 2005.

That comes a few days after China Securities, an affiliate of Citic, gave a "Buy" rating to CSH, citing rebalancing of supply/demand in box shipping in the near term.

Such predictions are not completely groundless. Demand in the sector looks like it is picking up as the US and Europe are gradually relaxing domestic lockdowns. Slots on routes to the US west coast have become tight recently with some carriers considering restoring some of the blanked services, said an Asia-based liner executive.

The trend was noted by Sea-Intelligence in its report published on Sunday, saying the "un-blanking" came following reports of cargo rollings in Asia amid insufficient vessel capacity. But the consultancy argued that development "can in no way be seen as unexpectedly strong demand".

"The only correct interpretation would be that the demand drop was not fully as catastrophic, as initially expected," it added.

Nevertheless, the recommendation made by China Securities was still a "quite bold" move, said a China-based shipping equity analyst from a rival brokerage. And it's not just the impact from the virus that has led to his reservations.

"There are simply too many geo-political uncertainties with the national security laws for Hong Kong," he said. "The markets are now not just decided by the [coronavirus] infection numbers."

Still, Citic Securities begged to differ. The report argued that the virus-battered domestic economy is not supportive of the US waging another trade battle with China, at least for the time being.

"The superpower is under the stain of a second wave of outbreaks in the third quarter while facing a recession in production activities and potential inflation pressure. Reigniting a large-scale trade conflict will bring itself more damage than 2018 when the conflict started."

MARKETS

Will increased LNG demand mean the death of coal trade?

THE willingness to cut coal consumption for cleaner air is suggesting a wider trend where demand for liquefied natural gas and renewables is set to increase.

For coal, however, the path ahead is starkly clear, and the slow death of the second-largest dry bulk commodity is not good news for the sector's shipping demand.

Yet, a 5% decline in thermal coal equates to just over 1% of total dry bulk demand, so the impact is likely to be relatively small.

China has passed the point of peak coal demand, and for the first time in decades its coal consumption is in decline. Global seaborne coal trade also shrunk in 2015, leaving the dry bulk freight market in limbo.

Stifel analyst Benjamin Nolan estimates that seaborne coal imports, even after a recovery in 2021 are still likely to be more than 5% lower than 2019 levels.

"Comparatively, we expect LNG imports to be up more than 15% in 2021 from 2019 levels."

Thermal coal, which is used for power generation, made up just under 20% of all dry bulk trade in 2019, but has been losing share to LNG and renewables for years.

With the decline in electricity consumption around the world this year because of the coronavirus pandemic, coal-fired plants have been the first to come offline and in many cases are likely to be the last to come back online as electricity demand returns.

Chinese LNG imports improved sharply in April and were up 32% year on year, while coal imports for April were down 27% year on year for the world's largest coal importer with 21% of the market share, according to Stifel.

Similarly, coal imports into Western Europe were down 26% in April, while EU LNG imports were up 5%.

Mr Nolan pointed out that for the longer term, there have been several announcements which highlight coal's declining role, likely meaning that 2019 will mark the peak in seaborne coal trade.

South Korea, which is the fourth-largest coal importer accounting for 11% of global imports, announced plans to close 30 of its 56 coal-fired power plants over the next 14 years. Taiwan, the fifth-largest importer announced plans to reduce coal power from 46% to 27% by 2025, while also eliminating nuclear in favour of LNG and renewables.

Meanwhile, the global LNG carrier fleet is also growing, which means more bad news for bulker owners.

There are however a few countries still driving increases in thermal coal consumption such as Vietnam, which accounted for 60% of the growth in seaborne coal imports last year and is likely the only significant importing country to grow in 2020.

Vietnam's electricity consumption is expected to grow at a 10% annual rate until the end of the decade, Stifel data shows, much of which will need to be met through coal imports.

But even in the case of Vietnam, the fast-growing Southeast Asian economy is building several major LNG importing terminals which means that coal imports are likely to taper off in the middle of the decade.

IN OTHER NEWS

Eastern Pacific and Equinor line up dual-fuel LPG trio

EASTERN Pacific Shipping has ordered a series of three dual-fuel LPG carriers at Hyundai Mipo having won a long-term timecharter from Norwegian oil major Equinor.

While the order is in line with EPS' strategic preference towards dual-fuel designs, the deal marks something of a shift for the Singaporean giant in the gas sector where it has traditionally tended towards tanker spot market plays.

The tie up with Equinor is being touted by insiders as an alignment of values between the two companies as much as a solid 4-5 year timecharter with options to extend the charter.

StealthGas says 'question mark' raised over LPG market

STEALTHGAS has posted an improved set of first-quarter results but has said that it has had to take a "defensive" position to combat the market effects of the coronavirus pandemic.

The Nasdaq-listed owner of 50 vessels including 46 liquid petroleum gas carriers reported a $3m net profit for the quarter, up from net income of $2m in the year-ago quarter.

This was despite revenue decreasing by 10.4% to $34.4m as a result of a fleet reduction including four fewer owned vessels as well as fewer chartered-in vessels.

MOL orders FSRU for German LNG terminal

MITSUI OSK Lines has ordered a floating storage and regasification unit to serve Germany's first floating LNG receiving terminal.

The newbuilding contract for the 263,000 cu m storage capacity vessel had been signed with South Korean builder Daewoo Shipbuilding & Marine

Engineering, said the Japanese owner in a release.

LNG Terminal Wilhelmshaven, a wholly owned subsidiary of German energy firm Uniper, has agreed to charter the newbuilding for 20 years when delivered.

Hafnia rides floating-storage boom in first quarter

HAFNIA, the product tanker owner, reported a surge in profit in the first quarter to $77.1m as the oil contango caused freight rates to soar.

The quarterly net profit was higher than Hafnia's total for 2019 – $71.7m – and came as the oil price war sent rates in the Middle East above $200,000 per day for the largest tankers in the latter half of the quarter.

But the company warned that "the current downward pressure on global economic growth and volatility in oil prices could have a significant adverse impact on the group".

Arkon in merger with Wilson to create European coastal giant

NORWAY'S Wilson has agreed to join forces with Germany's Arkon Shipping to create Europe's biggest shortsea player, calling the move part of necessary consolidation in the market.

Bergen-based, Oslo-listed Wilson will take on long-term leases of 20 bulkers from Arkon, including two Hanse Eco newbuildings, bringing its own fleet to more than 130 owned and time-chartered vessels, the two companies have announced.

Arkon, based in Haren in northwestern Germany, will handle Wilson's export fixtures for its fleet in the Mediterranean under the agreement, which will start in the second half of 2020, subject to approvals.

Global Maritime Forum postponed

THE Global Maritime Forum Annual Summit has been postponed until 2021 because of the continuing uncertainty from the coronavirus pandemic. A virtual high-level meeting will take its place.

The Annual Summit that was originally set to take place on October 13-14 in London will be postponed until 2021 and in place of an in-person summit this year, the Global Maritime Forum will organise an interactive Virtual High-Level Meeting this October to bring together its community of decision makers from around the world, the organisers said in a press release.

"In these times which are challenging to many, the Global Maritime Forum's board of directors has taken the necessary decision to postpone the Annual Summit 2020," the organisers said. The postponed meeting will still be held in London, with a precise date to be confirmed.

Neda clinches LR2 order at Daehan

NEDA Maritime of Greece has firmed up a long range two tanker order at Daehan Shipbuilding.

The contract with the South Korean yard is for one firm and one optional tanker, for delivery in January 2022.

According to a source with knowledge of the project, the tanker will be fully dual fuel-ready.

CSSC Shipping wins bank support for feeder newbuilds

CSSC (Hong Kong) Shipping has secured up to $116.8m in bank loans to fund four container feeder ships it acquired in a sale and leaseback deal with South Korea's Sinokor Merchant Marine.

A financing agreement was signed with an unidentified bank late last week, the Hong Kong-listed, yard-backed leasing house said in an exchange filing.

The loans will mature in 10 years, the company added. But the cost of the funding was not disclosed.

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LEGAL NOTICE

M.V. "SOPHIA Z" – HCAJ 118 of 2015

1. NOTICE IS HEREBY GIVEN that Calm Ocean Shipping SA as Owner of the ship "SOPHIA Z" (the "**Owner**") has issued High Court proceedings Admiralty Action 118 / 2015 in the High Court of the Hong Kong SAR, PR China (the "**Action**") concerning a cargo of 15,559 steel billets (the "**Cargo**") carried from China to Algeria under bill of lading LD001002 dated China, 24 July 2015 (the "**Bill of Lading**") that was abandoned on board by the Shipper and/or intended Receiver.

2. The Owner subsequently sold the Cargo in Italy by auction under its rights under the Bill of Lading and an Order of the Italian Court. After deduction of costs and expenses, and payment of certain funds into the Italian Court, the Owner retains the balance of the sale proceeds.

3. The Owner claims relief in the Action including to declarations that (a) the Shipper and/or intended Receiver wrongfully abandoned the Cargo, (b) the Owner has discharged its obligations as Owner / Carrier under the Bill of Lading, (c) the Owner was entitled to sell the Cargo and deduct its expenses from the sale proceeds.

4. TAKE NOTICE that the High Court has made an Order that the proceedings shall continue against (in addition to the Shipper and intended Receiver) "Person(s) Unknown" having any potential claim against the Owner under the Bill of Lading or in respect of any of the Cargo. ANY PARTY claiming such interest in the carriage or the Cargo or wishing to participate in the Action to support or oppose the relief claimed by the Owner should contact the Owner's solicitors to obtain a copy of the Writ and an Acknowledgement of Service form at the following details.

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