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EU's emissions database is still a work in progress

THE DATABASE BEHIND the European Union's much vaunted effort to track and control shipping's carbon emissions is still undergoing regular modifications and amendments to the data almost a year after it first became public.

More than 200 different versions of the data behind the EU's Monitoring, Reporting and Verification data have been published, raising serious questions about its use as a baseline for future regulations on ships.

When the MRV database went live for the first time on June 30, 2019, ships calling at EU ports had emitted 152.15m tonnes of CO_2 in 2018.

An initial error, identified by Lloyd's List, was found to have inflated the actual values by almost 18m tonnes of CO_2, bringing down emissions to 134.21m tonnes of CO_2.

At the time the European Commission had described the database as "a work in progress".

But over 10 months later, the data — which should set the benchmark for international shipping emissions data collection and be used as the basis for the EU's position in defining its rules — is still in flux.

Here today, gone tomorrow

After the early revision, emissions did not settle for long, hitting 137.3m tonnes of CO_2 just a few days later in July. Since that first correction was made, the reported CO_2 emissions for 2018 have jumped by 6% to 142.14m tonnes, as of the latest version of May 22, 2020.

Those are the emissions from 11,386 ships above 5,000 tonnes that loaded or unloaded cargo, or embarked and disembarked passengers at a port in the European Economic Area.

Another 637 ships are in the MRV, but without any emissions reported. Those are vessels that owners have reported voluntarily to get document of compliance to facilitate possible future port state control inspections at EEA ports.

All in all, in the 335 days since June 30, 2019, there have been 203 different published versions of the 2018 MRV database.

Part of the reason behind the updates, according to those companies responsible for verifying shipping firms' data, is that the latter give in their data even after April 30, the regulation's deadline for companies to hand over a verified report to the commission on their previous year's emissions.

Shipping companies are the ones that input data into the EU system, known as THETIS, and the verifiers confirm them afterwards. The database is still open to input new data and existing ones after April 30, even to this day for the 2018 year.

"It's been a learning curve for many ship companies trying to establish processes to monitor and report the necessary data on a voyage level," DNV GL MRV expert Jan Schreiber told Lloyd's List.

Verifavia chief operating officer Nicolas Duchene said some owners had perhaps not realised the significance of the regulation until port state control authorities in Europe surveyed one of their vessels and asked for the MRV document of compliance, which they are meant to have on board from June 30.

Another challenge according to Rina's senior director of marine excellence Andrea Cogliolo is that owners have all the necessary information they need to send on physical logbooks on board vessels. Scanning and sending those to verifiers, especially from a ship that is in the middle of the ocean, can be complicated and can often leave a very short timeframe for verifiers to assess the data.

"There is the deadline to have the data verified. There is no deadline for the owners," he said.

The European Commission and the European Maritime Safety Agency have made it clear that they are not responsible for the contents of the database or any changes made to it. That lies with the companies and their verifiers.

They are also not responsible for its enforcement. That is the job of individual EU member states that are meant to set up penalties for ships failing to comply.

In the absence of direct enforcement from the EU, penalisation from port state control authorities may prove the main deterrent to delayed data submission.

The European Commission declined to comment.

However, Lloyd's List understands that the commission sees shipping companies as having the responsibility to ensure the accuracy and completeness of their data.

Excessive values, outliers and a tedious verifications process

Other issues in the database are potential inaccuracies, missing data or values that deviate excessively from what would be considered normal.

Verifiers have admitted that the first year had been a challenging one in many respects, indicating that they too are learning along the way.

A spokesperson for Bureau Veritas, which has verified more than 900 ships, said that the MRV requirements and data validation process is new and different to verification and inspection processes in other marine activities.

"There is a lot of data to process. There have been some general anomalies in verification in a small number of cases shared across verification bodies," they said.

Mr Schreiber said that there is a lot of new ground to cover when it comes to interpretation of whether certain operations are within the scope of MRV. There has also been limited guidance to verifiers from the commission and Emsa on this interpretation.

"On our side, we have also had to learn through experience the mistakes that can occur in reporting, and how they can be detected and remedied as early as possible," he added.

DNV GL has improved its verification process based on last year's experiences, according to Mr Schreiber.

"We are correcting data from last year's cycle as soon as we identify mistakes, which accounts for some of the revisions that can be seen on the database," he said.

A spokesperson for the ABS, a verifier of more than 2,150 ships, also said that where it sees anomalies with data reporting it contacts the relevant parties to seek clarification.

Part of the problem appears to be the way the entire system is set up. Verifiers must compare what shipping companies submit to the THETIS database with what they have given them beforehand. This comparison must be done manually.

"It sounds easy enough to ask operators to enter verified data in the system but in practice, because the data entry is often a manual process and can be rather tedious, and because the final verification of THETIS data can only be visual, the risk that errors remain exists," said Mr Duchene.

That there are mistakes and missing elements are hardly a secret nor are they intended to be. The European Commission said in its recently published report on the 2018 MRV database that while verified data from the MRV system is generally complete and sound, there were some inconsistencies and missing information seen for this first year.

"The first reporting year involved a learning curve for all actors. The lessons learned from this first year will inform improvements made to the MRV process," it said in the report.

The errors, anomalies and changes, however, raise the question of when and to what extent the 2018 database can be considered reliable.

Mr Duchene believes it is reliable and that there is no better available option today.

"But there are some limitations associated with it that are important to have in mind. But the obvious inaccuracies compared to the overall number of ships are still a minor percentage," he added.

Several verifiers noted that a useful tool that could at least mitigate the obvious errors, would be automatic alerts from the system when companies insert a value that is deemed to be unrealistic or when they leave a mandatory field empty.

The commission has acknowledged this in its report. It said the THETIS software could be updated to include warning and error messages when companies are entering seemingly incorrect or incomplete data.

Mr Duchene said he has voiced his suggestions for improvements for the past two years but has not received feedback from the EU. He said that during a January 2020 meeting between the commission and verifiers, in response to suggestions for simple changes to the system, such as preventing people from not inputting a value in a field, the commission said it could not make changes for the sake of the system's stability.

Mr Schreiber also said that DNV GL has proposed that EMSA develops an application program interface to communicate and exchange data system-to-system without having to use the manual web interface.

The 40% CO_2 reduction question

An area where apparent anomalies are especially evident and highly consequential is for CO_2 per transport work values. These measure the efficiency of a ship in moving cargo or passengers and the exact metric can differ depending on the type of vessel.

Some of the more obvious examples of questionable figures, are the 106 vessels that claim to emit at least 1,000 grams of CO_2 per tonne-mile, including 49 that emit more than a tonne of CO_2 per transport work.

It is unclear how many of these and others are clerical errors, misreporting or actually accurate, no matter how unrealistic they seem.

Verifiers who were asked about their ships that had such abnormal values did not address them. A common suggestion, however, was that part of the anomalies in CO_2 per transport work more broadly is because of the focus on very specific voyages.

"In some cases, carbon intensity can be very high due, for example, to low cargo volumes or shorter journeys travelled within the MRV scope," said Mr Schreiber.

UCL Energy Institute reader Dr Tristan Smith said his team filtered out the MRV data for obvious outliers in CO_2 per transport work values. The result was that out of 11,946 ships on the database at the time of the analysis, 81.4% — or 9,739 ships — were left.

"Like any data, there are quality issues, inaccuracy and uncertainty and this needs to be taken into consideration whenever it is used," he said.

Dr Smith, however, added that his team did not investigate the outliers in detail because the sample of ships that was left is still large enough for their planned applications.

His latter point highlights that the intended use of the data is paramount in judging its potential value and flaws.

The 2018 MRV database is not significant simply because it is the first of its kind or because it gives an unprecedented image of emissions in European waters. It could also be the benchmark for potential regulations on ships calling at EU ports, including direct reductions in CO_2 per transport work.

The arrival of the new European Commission late last year reinvigorated a push from Brussels to regulate shipping emissions by including it in its Emissions Trading System. The move is staunchly opposed by the shipping industry which wants global regulation.

One of the crucial figures in this broader effort is Greens MEP Jutta Paulus who is spearheading a reform of the MRV regulation.

Perhaps the most striking feature of her extensive proposal is a mandatory requirement for ships calling at European ports to reduce their CO_2 per transport work by at least 40% by 2030 compared with 2018. The baseline would be based on the average performance per category of ships of the same size and type included in the 2018 MRV.

Given some of the irregularities already mentioned under this metric, there are also questions to be asked about that benchmark.

A spokesperson for Ms Paulus said questions around the MRV database are best addressed to the European Commission.

"We do believe that this data is reliable and sound, but, as with all new legislation, there certainly is a learning curve, because companies need to get used to the new system," they said.

The Environmental Committee will vote on the final version of the MRV proposal in late June and the European Parliament will vote on it in early July, kicking off legislative negotiations with the European Commission and Council.

Despite his belief in the reliability of the database overall, Mr Duchene questioned whether 2018 would be a good reference point.

"Especially for putting together a baseline and having objectives and mandatory reductions requirements, 2018 alone is probably not the best year," he said.

ANALYSIS

LNG sails for an unprofitable summer

LIQUEFIED natural gas shipping rates are heading for record lows during the next six months as cargo cancellations, falling gas prices and uncertain demand edges spot earnings below daily operating costs.

Daily rates on round-voyage routes to northwest Europe and Tokyo from the US Gulf have collapsed by 98% since November to average just above $15,500, according to the Baltic Exchange's weekly assessment on May 29.

Returns are now equal to operating expenses, says Flex LNG, the listed shipowner of six vessels on the water, reporting its first quarter of the year results.

Flex LNG has five newbuildings due for delivery during the next seven months, with no charters attached. The shipowner declined options to have two of these vessels delivered six weeks early in the second and third quarters of this year, citing weaker market conditions.

"The severity and duration of the Covid-19 crisis and associated demand is difficult to predict, but it is reasonable to assume that energy demand will pick up again once the pandemic is under control," the company said in its business outlook on May 28.

The unprofitable conditions are expected to continue through to October or November, when the seasonal rise due to the northern hemisphere winter is expected to lift rates.

Vessels owned or operated by Golar LNG averaged $40,000 daily for tri-fuel diesel electric vessels, according to its first quarter of 2020 results, also reported this week. This is above the Baltic Exchange average of $26,300 daily over the April–May period.

"Covid-19 related demand uncertainty continues to weigh on LNG prices raising the prospect of additional US cargo cancellations," said Golar LNG chief executive Iain Ross.

"Pre-Covid-19 expectations that 2020 would see 30m tonnes per annum of additional LNG production are therefore no longer appropriate.

"An increasingly unpredictable inter-basin trade also makes tonne miles difficult to model, however they are expected to increase in the second half of the year.

"Although the market remains highly volatile, leading industry analysts expect 2020 LNG production to be in the region of 1% to 3% above 2019 levels."

Mr Ross said that lower LNG spot prices would see a shift to more gas-fired power production, boosting demand for LNG and freight costs.

Latest LNG forecasts are for a 6% gain in LNG trade in 2020, of about 21m tonnes.

But cancellations are weighing on that outlook. Despite the take-or-pay provisions in some US Gulf contracts, exports are falling. Some 40 LNG cargoes were loaded and exported from the US between May 1-24, according to the US Energy Information Administration. That compares with a record 74 cargoes in January, 66 cargoes in February, 71 cargoes in March and 61 cargoes in April. A further 60 cargoes are scheduled for cancellation during June and July.

Exports from the US accounted for one in five of all spot cargoes in 2019, according to the International Group of LNG Importers' annual report. Short-term or spot trade accounted for 119m tonnes, or 34%, of the 354.7m tonnes of all LNG trades last year.

Year-on-year comparisons showed demand for LNG grew in most importing countries over the first quarter of the year with the exception of China. LNG bunker fuel demand is expected to account for 9m tonnes of consumption in 2020.

Pandemic-led slowdown holds back Nigerian LNG deliveries

LIQUEFIED natural gas carriers laden with cargoes from Nigeria's Bonny Island have resorted to super-slow steaming speeds or been diverted to the Indian subcontinent as demand for the supercooled fossil fuel in Europe evaporates.

Data from Lloyd's List Intelligence suggests that cargoes headed to Europe from Bonny Island have been deferred for weeks.

The 134,478 cu m *Bayelsa* and the 170,000 cu m *Port Hartcourt II* arrived at Huelva, Spain and Montair in France about two weeks ago, after spending about one month at sea and taking twice as much time or more to deliver cargoes from Bonny Island.

The two voyages are indicative of wider trends in the market reflecting how Nigeria, as a top LNG producer in Africa, has been hit hard by a dramatic slowdown in Europe's LNG demand since the coronavirus outbreak.

The Europe hub TTF gas price crashed to a record low, trading at below $1 per million British thermal units, in early May.

Poten & Partners' analyst Wong Ling Kit noted that Nigeria answered for as much as half of the world's floating LNG cargoes earlier this month.

Buyers in Europe have opted to defer deliveries but one cargo stranded at sea for two months has found its way to India.

The 138,000 cu m LNG River Niger set sail on March 18 with a cargo from Bonny Island, and called at Dahej on May 24.

India has taken advantage of low spot prices to ramp up its LNG imports before it entered into a lockdown in March.

As the government there set out to reboot the economy, Gail India, a top LNG player in the country, recently released tenders seeking to release two cargoes contracted for delivery from the US and purchase one from the spot market.

Buyers in neighbouring Bangladesh are seen taking a similar stance, having lined deals to make way for imports from the spot market by this July.

One cargo from Nigeria is now en route to Bangladesh.

The 174,000 cu m *LNG Abuja II* is due to arrive at Dhaka on June 2, about three weeks after setting sail from Bonny Island.

Buyers in India, however, are no less inclined to defer cargoes that are pegged at higher prices under term contracts signed with sellers.

India's Petronet has deferred seven or more cargoes contracted with Qatar, Ms Wong noted, suggesting that buyers from the country may seek to postpone deliveries from Qatar to late 2020 or early 2021.

MARKETS

Economic outlook: GDP contraction will weigh on transport demand

ACCORDING to the latest EuroStat figures, the GDP growth rate contracted by 3.3% in the euro area during the first quarter of 2020, following an expansion of 1% in the previous quarter. EuroStat noted that this was the sharpest decline in the euro area's GDP since the third quarter of 2009.

Unemployment in the euro area rose to 7.4% in March from 7.3% in February. In the EU-27, the annual GDP growth rate shrank by 2.7% in the first quarter of 2020, and in **Germany** GDP shrank by 2.2%. The latter is the **EU's** biggest economy and it has gone into recession as the coronavirus lockdown hurt most activities.

It is the biggest quarterly decline in German GDP since the first quarter of 2009, when it shrank 4.7%, following the financial crisis. Industrial production in Germany fell by a record 11.6% year on year in March, when the lockdown forced factories to close.

In the **UK**, GDP decreased by 1.6% year on year in the opening quarter of 2020, also the biggest fall since the Q4 2009. The Bank of England warned that the British economy could shrink by 14% this year and unemployment could more than double before the summer as the coronavirus outbreak causes the deepest recession in modern history.

In the **US**, GDP fell 4.8% in the first quarter of 2020 in the worst economic decline since 2008, according to the preliminary estimate from the Bureau of Economic Analysis. Business investment, which was already depressed because of the US-China trade war, fell further, for the fourth consecutive quarter, recording the steepest decline in 11 years.

Unemployment in the US has risen to 14.7%, with 20.5m jobs lost in April, as the coronavirus pandemic closed the economy. However, economists say that they believe that hiring will start to pick up shortly as more states ease restrictions.

In **China**, the economy suffered its first contraction in 28 years due to the pandemic. The world's second largest economy shrank 6.8% in the first quarter of 2020 compared to a year earlier. However, China's industrial output rose 3.9% in April from a year earlier, improving from a 1.1% fall in March, as the country got back to work.

In **Russia**, the central bank has lowered its economic forecasts, projecting that Russian GDP will decline by between 4% and 6% in 2020, before recovering to growth of between 2.8% and 4.8% in 2021. The Russian economy has been affected by both the coronavirus and low oil prices.

Latin America and the **Caribbean** were projected to have among the lowest growth rates of GDP in the world during 2020 even before the Covid-19 pandemic. When the World Bank updated its forecast, it was with a 4.6% contraction and the IMF update has a 5.2% contraction. The IMF also said that Latin America and the Caribbean would likely see "no growth" in the decade from 2015 to 2025.

In **Brazil**, the government has cut the 2020 GDP forecast to -4.7% from previous anticipated 0% growth. The new forecast is based on the expected economic damage from the coronavirus pandemic and related quarantine measures. The Economy Ministry also reduced its 2020 inflation outlook to 1.8% from 3.1%, taking it significantly below the central bank's official target of 4.0%.

Trade effects

The Covid-19 pandemic has seriously impacted global trade and the container sector has been especially affected. Global container volumes dropped by 5.1% in the first three months of 2020.

This means, according to data from Container Trades Statistics, that there was 12.7m teu on average transported in January-March 2020 on the main trade lanes, compared to 13.4m teu in 2019. The European economies have closed all non-essential businesses to flatten the infection curve of Covid-19, which has drastically reduced demand for containerised imports from China.

European imports have dropped 4.6% year on year to the end of March, averaging 2.66m teu per month in 2020. However, European exports increased despite the pandemic, rising by almost 1.7% to a monthly average of 2.47m teu in January-March 2020. The April figures will drop, though.

Container export volumes from Asia dropped 10.3% to a monthly average level of 6.6m teu in the first three months of 2020. Monthly Asian imports averaged 5.4m teu over the first three months, which was an 8.7% decline compared to January-March 2019.

Since the beginning of 2020, North American container exports have averaged 1.30m teu (down 1.9% compared to 2012) and imports have dropped to 2.07m teu per month — 5.9% lower than in 2019.

Container ports

According to Dynaliners, the world's 10 largest container ports handled a combined 56.8m teu in the first quarter of 2020, which is a reduction of 6% compared to the previous year.

Eight of the 10 biggest ports saw their numbers go down, with Shenzhen (-12%), Shanghai (-10%) and Guangzhou (-10%) seeing the biggest falls. Two ports grew in volume terms — Busan (+3%) and Qingdao (+2%). In the first quarter of 2020, container volumes at the eight major Chinese hub ports declined 8.9% year on year.

Meanwhile, the overall cargo throughput of the major Chinese coastal ports declined by a lower 3.5%. According to China Ports and Harbours Association, cargo throughput of the major Chinese coastal hub ports declined 5.6% during the first 10 days of May.

In the first quarter of 2020, ports in Spain handled 4.14m teu, a reduction of 4% year on year. Rotterdam, Europe's busiest container port, reported a throughput decline of 4.7% in the first quarter, with 3.54m teu handled, down 174,000 teu from the first three months of 2019. There was a rise in deepsea and feeder containers, while shortsea fell by 4.5%.

The underlying causes were the weaker economy in Europe during the last six months and stagnating world trade due to trade conflicts. The impact of the Covid-19 crisis was only apparent to a limited extent in late March, following the fall in goods flows from China after the partial lockdown there in February. Container handling at the port of Hamburg reached 2.2m teu, down by 6.6.% in the first quarter of 2020.

The latest figures from Lloyd's List Intelligence show the idle container ship fleet at just over 1m teu (around 4.5% of the total capacity). This is 200,000 teu more than in the first week of 2020, but lower than the mid-March figure of 1.12m teu. It is also less than in the 2009-10 financial crisis.

This fleet volume was spread over 376 ships, of which 125 have been idle for more than three months in a row.

IN OTHER NEWS

Kexim bank ramps up loan support for ailing shipyards

SOUTH Korea has stepped up its financial support to domestic shipbuilders to help them cushion the blow from the coronavirus outbreak.

The Export-Import Bank of Korea, known as Kexim, has increased its loan supply to shipyards to Won5.2trn ($4.2bn) this year, from Won3.8trn planned previously, according to a release.

The move comes as the sector is being hit by a severe downturn with a sharp drop in newbuilding orders amid the pandemic-led economic recession.

South Korean builders won only 700,000 compensated gross tonnage of new orders in January-April 2020, down 80% from the same period a year ago, according to Clarksons. By comparison, orders at yards in China and Japan fell 24% and 68%.

Iranian gas tankers arrive at Venezuela

THE fourth of five Iranian-flagged product tankers delivering gasoline to Venezuela has arrived in the South American country, with the last vessel due over the weekend.

US exports of gasoline, naphtha, diluent and other refined products to Venezuela have been banned by the Trump administration since early 2019, with shipments from refineries in India and Spain the predominant suppliers. US was the biggest supplier of light products to Venezuela until sanctions were imposed.

The five tankers *Faxon, Clavel, Forest, Petunia* and *Fortune* are all owned by Iran's National Iranian Tanker Co, which is sanctioned by the US. The last tanker to arrive is Clavel, a 49,288 dwt product tanker that is in the Caribbean Sea.

Australia detains APL England over safety deficiencies

AUSTRALIA has detained containership *APL England* for breaching vessel safety standards, according to a government release.

The Australian Maritime Safety Authority said its inspectors had found inadequate lashing arrangements for cargo and heavily corroded securing points for containers on the deck of the vessel.

The Singapore-flagged, 5,506 teu vessel was reported to have sustained a temporary loss of power in rough weather off Sydney on May 24, leaving about 40 boxes lost in the ocean and another 74 on board damaged. It was carrying medical supplies, furniture, household appliances and building materials.

The AMSA said the inspection findings were a clear breach of requirements under the International Convention for the Safety of Life at Sea.

Flemming Jacobs moves to advisory role at Global Maritime Forum

CONTAINER shipping veteran Flemming Jacobs will become non-executive director emeritus at the Global Maritime Forum he founded after stepping down from its board in March.

Mr Jacobs was a partner at AP Moller-Maersk, where he spent 39 years before moving to Singapore's Neptune Orient Lines as president and chief executive in 1999. He led NOL until 2003 and has held many industry roles, including being on the advisory board of the Panama Canal Authority and the council of the Baltic Exchange.

He won Lloyd's List's lifetime achievement award in 2015.

Port of Savannah rail project on track to penetrate new markets

THE Port of Savannah's Mason Mega Rail project, designed to help penetrate markets in the US Southeast and Midwest by rail, has begun operating the first nine of 18 new working tracks, with its first two rail-mounted gantry cranes to be commissioned in June.

"At the Port of Savannah, we are working to improve the efficiency of the American supply chain and move goods to market even faster," said Georgia Ports Authority executive director Griff Lynch.

"These efforts are strengthening our logistics network at a time when the nation needs it most," Mr Lynch said of the project, which will double the port's rail capacity to 2m teu a year.

The Mason Mega Rail project will deliver the largest on-dock intermodal rail facility for a port authority in North America, according to GPA officials.

South Korean yard confirms EPS' $160m LPG trio

HYUNDAI Mipo Dockyard, part of Hyundai Heavy Industries, has confirmed the orders for three liquefied petroleum gas carriers from Eastern Pacific Shipping.

The 40,000 cu m tankers, equipped with dual-fuel propulsion systems, will cost Won195bn ($157m) in total. Delivery is scheduled from April 2022, according to a yard release.

The deal also includes an option for two extra ships of the same type.

CMA CGM donates 200,000 face masks to Los Angeles

CMA CGM has donated 200,000 face masks to the City of Los Angeles to help support the fight against the coronavairus pandemic, calling it a testimony to the group's "unwavering commitment" to the US.

"Los Angeles is a great global city — and during this health crisis, partners from around the world are stepping forward," said Los Angeles mayor Eric Garcetti. "CMA CGM's donation of 200,000 masks reflects the power of our partnerships, and these masks will help the city protect and save lives."

Port of Los Angeles executive director Gene Seroka underlined the "key role" that the French container shipping carrier is playing in keeping the supply chain running during this pandemic.

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