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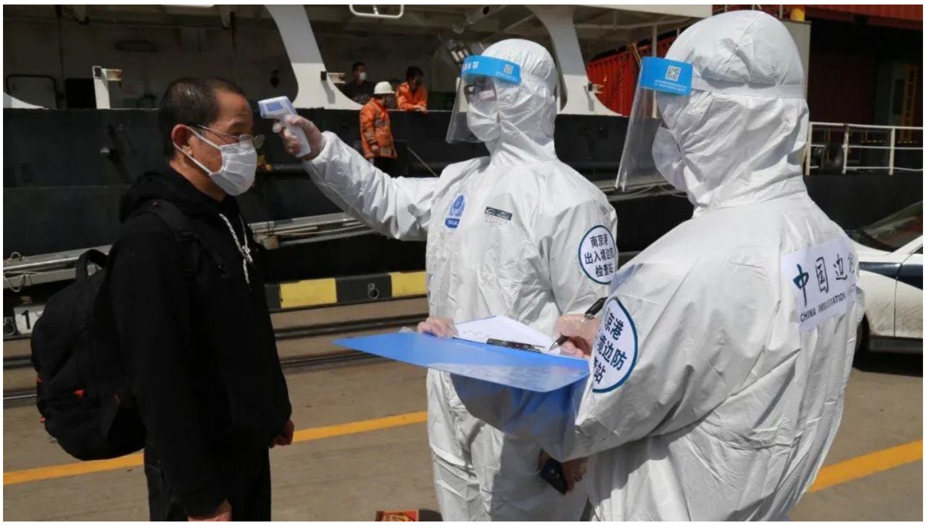
# Crew change crisis deepens amid bureaucracy, logistics and cost



A SECOND WAVE of lobbying to facilitate urgent crew changes will launch next month after initial efforts and pledges to solve the issue faltered against a background of bureaucracy, logistics and cost.

Senior industry officials and shipowners concede that despite five months of campaigning and political intervention, the situation is getting worse not better.

While many maritime hubs are technically open for crew change, existing bureaucratic hurdles coupled with local coronavirus border control and travel restrictions changing on a near daily basis have sustained crew change rates at less than 35% internationally, according to estimates from across industry associations including the International Chamber of Shipping.

The backlog means hundreds of thousands of seafarers remain stranded aboard ships — in many cases over six months beyond contracted agreements.

For shipowners the situation has created an increasingly complex and costly logistical logjam that has more than tripled crewing outlays, left vessels offhire or regularly rerouting for frequently aborted crew change operations, frozen the sale and purchase market and for many of the larger owners required a massive expansion in shore-side operations to deal with the increased complexity of operations.

## Political efforts

Political efforts to unblock restrictions and increase the backlog of crew changes have continued throughout the summer, however a combination of government recesses and summer holidays have slowed processes and resulted in the issue disappearing from mainstream media headlines.

That is about to change with a resurgence in political activity in the works for September, however there is a growing concern that the political focus is now switching towards this being a long-term issue requiring lengthy international responses rather than short term interventions to ease specific national barriers.

A co-ordinated campaign of action from United Nations agencies and industry associations will seek to address the summer lull by redoubling efforts to convince governments to recognise seafarers as "key workers", thereby exempting them from travel restrictions while ensuring the protection of public health through use of crew change protocols.

Lloyd's List understands that European Union countries will formally request an extension to the International Maritime Organization's forthcoming Maritime Security Council meeting on September 18 in order to address the growing crisis at sea that has left tens of thousands of crew unable to leave vessels well beyond their contracted limits.

**UN approach**

Meanwhile a UN approach led by the IMO and International Labor Organization, but agreed at UN executive committee level via the secretary general, will kick off in earnest from September with support from the World Health Organization, International Civil Aviation Organization, International Organization for Migration, The Office of the United Nations High Commissioner for Human Rights and several other international agencies.

While much of the agreed action set out in internal UN documents seen by Lloyd's List merely reiterates existing efforts and advice already voiced repeatedly by everyone from the UN secretary general to the Pope, the multi-agency approach with a push from the executive committee does mark a significant step up in the urgency being applied to the problem and the diplomatic rhetoric being targeted at "key national decision makers".

The documents also reveal that the various agencies will be seeking to "engage with multinational firms, global brands and business enterprises" as the threat to global supply chains becomes a focus of the warnings.

The renewed ramping up of rhetoric promises improved visibility of the issue beyond transport departments and offers political leverage, but given the limited impact that preceding political efforts had in spurring tangible government responses crewing representatives will be looking for evidence that this latest round of statements and pledges will result in practical changes to the current restrictions.

"The people who matter in this — the crew — they're fed up with the talking. They don't want to talk, they're getting ready to walk," said Captain Kuba Szymanski, Secretary General of the International Ship Managers' Association.

"This [resurgence in diplomatic efforts] is all well and good, but you will start to see seafarers say 'thank you, but it's time to walk away because you can't keep people on board like this for months with no hope and no end in sight," Capt Szymanski continued.

Since the UK government held an international summit to address the issue on June 9, the initial 13 governments pledging action have been joined by France, Georgia and the US.

The signatories, including Singapore, acknowledged at the time that "the inability of ship operators worldwide to conduct ship's crew changes is the single most pressing maritime operational challenge to the safe and efficient movement of global trade" and further noted that "apart from the humanitarian and crew welfare concerns, and issues of regulatory compliance, there is an increasing risk that fatigue and mental health issues could lead to serious maritime accidents".

**Situation unchanged**

Nearly three months after the governments issued that stark warning promising action, all major international shipping representative bodies approached by Lloyd's List agreed that the situation had either deteriorated or remained broadly unchanged with only limited pockets of improvements to report.

Lloyd's List approached a dozen major shipowners to poll their view on progress and all reported that the situation was getting more complicated, more costly and overall the situation had either deteriorated or remained unchanged from two months ago.

"It's disappointing that we can't make more progress as an industry," said Berge Bulk chief executive James Marshall. "We've got to be able to change our crew over.

"We have the right procedures, they're all travelling with PPE, we have all the procedures in place and yet at every stage it's getting more complicated. It should be possible if it's well controlled, but we're running into issues at every stage of the operation.

"Logic and rational approaches are irrelevant right now," reported another major private shipowner who did not want to be identified. "Everything is fluid, nothing makes sense and some of the conversations we are having on a daily basis with national government representatives are crazy — this situation is completely unsustainable".

Even for those owners reporting pockets of positive progress, the current situation remains consistently difficult and more costly.

"Exchange of crew has definitely been an issue over the last couple of months," said Hapag-Lloyd chief executive Rolf Habben Jansen. "I would say that in general the situation is getting a little bit better now, and we have been able to exchange crews in many locations. But it remains a fight to get people back on time."

We share the same frustrations as the shipowners," said Stephen Cotton, the general secretary of the International Transport Workers' Federation. "Aside from a notable exception in India where we are seeing some real progress, I completely agree — the general situation is getting worse not better.

"We're getting more calls than ever from frustrated seafarers who are at the end of their tether and asking what they can do to get off. We've been using this period of summer downtime in governments to plan what the most impactful strategies we can put in place to help seafarers. We have to get this back on the agenda."

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## WHAT TO WATCH

# Open-loop scrubbers shrug off regional restrictions

THE increasing regional restrictions and prohibitions on open-loop scrubbers have not prompted a shift within the market as global regulatory clarity may be a few years away.

Saudi Arabia's decision to prohibit wash water discharge until an environmental standard comes in raised questions about the future of open-loop scrubbers, which have been the subject of prolonged controversy about their uncertain impact on water.

Jan Othman, exhaust treatment vice-president at Wärtsilä Marine, said the world's largest scrubber manufacturer had seen an increase in inquiries about its hybrid and closed-loop systems. Growing interest, however, is as far as it has gone up to now.

"When it comes to actual contracting we have not really seen any major changes yet. It has been the same as it has for the past few years," he told Lloyd's List.

Traditionally, containerships, ferries and cruiseships have sought out hybrid and closed-loop scrubbers, while the tramp trading bulkers and tankers have opted for open loop, Mr Othman said.

The cheaper open-loop scrubbers currently dominate the market. Of the 4,417 ships with scrubbers in operation or on order, 81% are open-loop scrubbers, according to data from classification society DNV GL. Another 17% are hybrid and just 1.54% are closed.

Yet prohibition on the discharge of wash water has been imposed in ports in countries ranging from Argentina to Belgium, Fujairah to Singapore, among others.

The heightened interest seen for closed and hybrid scrubbers is related to the local restrictions on open-loop ones, Mr Othman believes. But that it has not translated into an actual shift in orders is because there were restrictions in relatively few regions, he said.

Additionally, the share of fuel being consumed within these locales is limited and hence does not appear to be sufficient to alter the business case from a shipowner's perspective, he explained.

"In the short term it is difficult to see that shift taking place, at least in my eyes. There is no real financial incentive from the owners' perspective at this point in time to significantly change their strategy related to this," he said.

The coronavirus and the collapse in oil prices that has slashed the bunker fuel price differentiation upon which the business case for scrubbers rests, has tamed shipowners' willingness to spend on the abatement technology.

This negative impact is especially noticeable among those looking at scrubber retrofits, according to Mr Othman.

**Decisions already made**

Ian Adams, executive director of pro-scrubber group Clean Shipping Alliance 2020, argued that decisions like Saudi Arabia's affect a minimal amount of territorial waters and question whether it would have any bearing on future business decisions.

"People have made their decisions on the type of systems they want to install well before that notice came out," he said.

Similarly, the restrictions imposed in other regions also concern relatively small pockets of territory and one has to consider the actual number of vessels that are affected, he added.

He did say that Singapore in particular was different, potentially having an impact on a vessels' operations given its significance and the volume voyages coming in and out of the region.

"There have been several discussions with Singapore authorities, but they have made their decision and it is very difficult to unmake that decision. We are still working with them, trying to understand their position and to explain our position… Never say never."

With a strong current pushing for the global prohibition of open-loop scrubbers, emanating especially out of Europe and at odds with other movements and industry interests, the International Maritime Organization has agreed to reassess its scrubber regulations and develop uniform rules on wash water discharges.

"The more clarity that is provided the better it is for shipowners," Mr Adams said. "That is what they seek. That and universal enforcement where possible and if we can get those two things, that makes shipowners very happy."

While the IMO launched these negotiations earlier this year, the postponement of further meetings due to the coronavirus suggests the timeline will also be pushed back.

Exactly how and until when are unknown details at this point. The global regulator agreed earlier this month to hold its postponed meetings virtually for the rest of this year, scheduling the delayed environmental meeting for October.

As regulators debate and time goes on, however, the move towards scrubbers might lose some steam anyway.

Mr Othman admitted that the scrubber retrofitting market was a short-term one, likely to be there until 2023 or 2024. Still, he expects scrubbers to be a part of newbuilding contracts for at least another decade.

# Merger of HHI-DSME receives Singapore approval

THE Competition and Consumer Commission of Singapore has approved the proposed merger of Hyundai Heavy Industries and Daewoo Shipbuilding & Marine Engineering, stating that it will not infringe its competition act.

The authority noted that while the two big South Korean shipbuilders, HHI holding company Korea Shipbuilding & Offshore Engineering and DSME were close competitors for very large crude carriers and liquefied natural gas carriers which require a high level of technical expertise and capital investment, there were viable alternative suppliers with sufficient excess capacity to satisfy a significant portion of any demand post-merger if the proposed merged shipyards choose to raise their prices.

The two giant South Korean shipbuilders accounted for about 70% of the orders for large LNG carriers exceeding 170,000 cu m last year. Only China's Hudong-Zhonghua Shipbuilding, itself part of the massive state-owned China State Shipbuilding Corporation, has been consistently producing similar vessels among Asian yards, but its orderbook remains far behind the South Korean yards.

"An assessment of the parties' historical bidding data does not indicate that the parties' bid prices are systematically higher for contracts where they do not compete with each other. This suggests that there are other close competitors that constrain the Parties' bid prices," the commission said.

Both the companies operate in Singapore, registered as foreign companies.

As part of its assessment, the commission conducted two public consultations and contacted 157 stakeholders including competitors and customers.

The deal is however still pending approvals from competition authorities in the European Union and Japan. The former earlier this year suspended its assessment process, citing coronavirus-related delays, while Japan has consistently opposed the union and in February filed a petition against it at the World Trade Organization.

"While market concentrations in the relevant markets will be high post-merger, the evidence does not indicate that the proposed transaction will result in coordination or collusion on prices as shipbuilders tend to have private negotiations with customers, which limit price transparency," the commission noted.

"Shipbuilders may also find it difficult to coordinate on prices as customers perceive differences in quality and experience of shipbuilders."

Earlier, the commission was concerned that the proposed transaction will remove competition between the two main suppliers of the commercial vessels, to the detriment of customers in Singapore.

Last year, HHI signed a deal with the Korea Development Bank to acquire its domestic rival DSME, which will create the world's largest shipbuilding giant, whose combined orderbook size far exceeds that of the runner-up.

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**ANALYSIS**

# Favoured future marine fuel faces scaling-up challenges

SHIPPING needs to put 36 ammonia-fuelled vessels into service every month to meet any net carbon zero-emissions targets, an International Energy Agency special report on energy technology found.

However, the industry's "technology readiness" is only at the demonstration phase for ammonia-powered vessels, underscoring a series of recent reports indicating shipping is nowhere near reducing its reliance on fossil fuels.

Shipping aims to reduce greenhouse gas emissions by 50% by 2050, although individual countries have set lower targets.

The carbon and sulphur-free fuel, which can be used with catalytic technology installed on vessels to also cut nitrogen oxides and nitrogen dioxides, has emerged as one of the preferred decarbonisation options for shipping.

How quickly this technology can be scaled up to commercial viability is debatable.

The coronavirus pandemic has stifled overall investment in clean technology and weakened innovation, according to the International Energy Agency's Energy Technology Perspectives 2020 report, which is published every three years.

"Without a major acceleration in clean energy innovation, net-zero emissions targets will not be achievable," it said.

The report analysed more than 400 technology designs and components, including electrification, carbon capture and storage, low-carbon hydrogen and hydrogen-derived fuels and bioenergy.

The world share of hydrogen and electricity in final energy demand by end-user sectors showed that shipping would comprise less than 1% under current policies, rising to just under 13% in the IEA's "sustainable development scenario".

That scenario assumes current targets under the Paris Agreement — from which shipping is exempt — are met, with net-zero $CO_2$ emissions by 2070.

Under this target, ammonia-based ships are introduced to the market by 2024, with early adoption by up to 1% of the market seen between 2024 and 2036.

To meet targets, shipping needs to launch 36 vessels a month powered by ammonia. The technology for electrolytic hydrogen-based ammonia to fuel vessels would need to reach the market in about 12 years' time.

"The key technologies the energy sector needs to reach net-zero emissions are known today, but not all of them are ready," the IEA said.

Around 35% of the cumulative $CO_2$ emissions reductions needed to shift to a sustainable path from technologies currently at the prototype or demonstration phase.

"A further 40% of the reductions rely on technologies not yet commercially deployed on a mass-market scale. This calls for urgent efforts to accelerate innovation," the report said.

Consumer products such as LEDs and lithium ion batteries take 10 to 30 years to go from the prototype to the mass market and should be the benchmark for energy technologies to get to zero emissions, according to the report.

Like many industries, shipping is nearly one investment cycle away from 2050, making investment timing and availability of new technologies critical, the IEA said.

The pandemic is a potential setback, with an IEA survey revealing companies developing net-zero emission technologies will likely have research and development budgets reduced.

A recent white paper on ammonia as a ship fuel determined the volumes, infrastructure and evolution needed to convert 30% of global shipping to the alternative fuel by 2050. Shipping fuel consumption is measured at 250m tonnes annually.

# Total's Mozambique LNG project at risk from insurgent threat

ISLAMIST insurgents have often been hard on the global maritime industry but have been out of sight for a while. Well, now they're back and threatening a large part of the industry in Mozambique.

The problems started about three years ago when a little-known Islamist insurgency by the name of Ahlu Sunna wa-Jama, or Swahili Sunnah, first attacked the town of Mocímboa da Praia in the country's northern Cabo Delgado province.

"The attack began a campaign of terror that has paralysed Mozambique's northern coast and threatened $30bn in offshore natural gas projects, a key lifeline for Mozambique's future development," the Atlantic Council said in a recent report.

On August 10, however, the insurgent group — which is affiliated with Islamic State — tightened its grip over the East African country by seizing and shutting down the port at Mocímboa da Praia.

Eric Morier-Genoud, an historian at Queen's University Belfast, said the fall of Mocímboa da Praia represented a major strategic victory for the insurgents. They took just five days to capture the town and its port, showing determination, organisation and good planning.

**No vessels in port**

Lloyd's List Intelligence shows no vessels in the port at the moment and no vessel activity at all for the past month — a bad sign for any port, but especially for this one.

Mocímboa da Praia has been a logistics link for Total's $23bn LNG project on the Afungi Peninsula in Cabo Delgado — a project that has more than 65trn cu ft of natural gas reserves and is expected to produce 43m tonnes a year of LNG by 2024.

In July, Total secured $14.9bn in senior debt financing for the project and since then nearly 70 US firms have been identified to supply it with equipment and services for engineering, procurement and construction.

The US firms plan to deliver exports of equipment and services worth $1.8bn with financing from the US Export-Import Bank that is part of $4.7bn the bank approved to support US businesses supplying the project.

Some equipment for the LNG project includes steel pipes, seabed manifold systems, gas pipelines, gas cooling systems, non-pressurised tanks and insulated gas pipes.

Needless to say, that equipment will have a tough time reaching Total's project if the port of Mocímboa da Praia remains in the hands of the insurgents.

But the story gets even worse, considering that some of the world's biggest shipowners were ready to move LNG from Mozambique as the French petroleum giant proceeded with its liquefaction project.

Reports said the project would need 16 new LNG carriers, with Nippon Yusen Kaisha, Mitsui OSK and

Kawasaki Kisen Kaisha each ready to sign up for four vessels apiece while Maran Gas Maritime would build another four.

However, a Japanese shipping executive involved in talks to build the ships said that a certain numbness has set in since the seizure of the port, leaving uncertainty and an attitude of "wait and see" before anyone moves ahead with anything.

But Total SA is not waiting around for anything. This week it announced the signing of a new memorandum of understanding with the government of Mozambique about the security of Mozambique LNG project activities.

"In view of the security situation in the Province of Cabo Delgado, our priority is to ensure the security of our workforce, many of whom reside in neighbouring communities, and of the project operations," said Ronan Bescond, country chair of Total in Mozambique.

Under the agreement, "a Joint Task Force shall ensure the security of Mozambique LNG project activities in Afungi site and across the broader area of operations of the project," Total said.

Mozambique LNG will provide logistics support to the Joint Task Force, while the government of Mozambique agreed that its personnel will act in accordance with "the Voluntary Principles on Security and Human Rights".

Total said the memorandum "demonstrates the project's commitment to meeting its milestones in a secure manner, while creating local opportunities and bringing meaningful social and economic benefits for the province of Cabo Delgado and the country".

This is hardly the first time that Total SA has had encounters with Islamist insurgencies in the region. Indeed, it has already had to reroute a pipeline that had been projected to carry oil from fields in Uganda to Kenya's port of Lamu.

Faced with repeated Islamist attacks in and around Lamu, Total and its partners chose to re-route the oil pipeline away from Kenya altogether, instead sending it southwards from Uganda through Tanzania to the Indian Ocean port of Tanga.

Mozambique's defence minister Jaime Neto said recently that the only help his country requests of neighbouring countries "is vigilance at the borders to prevent bandits from entering our territory".

That sounds like trying to close the stable door after the horse has bolted.

More to the point: it will take a lot more than closing the borders to defeat an insurgency already strongly entrenched in the country — an insurgency that has killed more than 1,500 people and displaced another 250,000 in the country's north in the past three years.

Total SA is to be saluted for its resolve in attempting to combat the Islamist threat to its project in Mozambique — a project that involves large numbers of stakeholders in the maritime industry, too.

But the battle has only just begun and is likely to require more help in the months to come.

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**MARKETS**

# Panama Canal extends advance payment suspension

THE Panama Canal Authority is to extend the suspension of advance payments for transit reservation, which was introduced in May to support shipping through the coronavirus pandemic, until the end of the year, it said in a statement.

The move — said to come after dialogue with industry leaders — is designed to allow customers to maintain liquidity, and to grant greater flexibility for swapping or substituting booking slots among their own fleets.

The measures were originally due to expire on September 1, ahead of the key waterway's own financial year, which ends on September 30.

According to the ACP, overall transits climbed from 845 in June to 933 in July, and August is showing a similar trend. The increase was largely driven by a surge in containership transits along the US East Coast to Asia route.

But figures produced independently by Leth Agencies suggests that transits are still down both compared with the start of the year, and month by month compared with the corresponding months of 2019.

"I am encouraged by the growth we are seeing for the container segment, though we are tracking changes in global trade flows vigilantly," said deputy administrator Ilya Espino de Marotta. "The extension of these measures underscores our commitment first and foremost to our customers."

Ms Espino de Marotta was asked about transit volumes in an interview for a forthcoming edition of the Lloyd's List podcast, following reports that business was suffering from blanked sailings and owners rerouting round the Cape of Good Hope, thanks to both the pandemic and trade tensions between the US and China.

"We do have some blank sailings, but people are not necessarily rerouting. Shipping is down because of the down trend in consumption because of coronavirus," she responded. "We have had a 6% decrease in tolls from October to June from what we had budgeted. We implemented in February a freshwater fee and that is kind of balancing the act.

"We should end our fiscal year, if everything goes well, within the budget, because we also had a very good beginning of the [fiscal] year from October [2019] to February."

## IN OTHER NEWS

**Avance Gas says US-Asia LPG arbitrage improves**

AVANCE Gas, an owner of very large gas carriers, says demand from Asia for liquefied petroleum gas is starting to normalise, and, combined with high US inventories and low US prices for the commodity, has led to an opening of the arbitrage between the two regions.

The trend, which is helped by lower available fleet capacity, has led to strong freight rates in the third quarter, the Oslo-based company said in an earnings statement. But it warned that market volatility was likely to continue.

While residential demand in Asia was consistent through the coronavirus pandemic, petrochemical use had increased following earlier shutdowns, it said.

**Hapag-Lloyd chief holds shippers to commitment to ease supply chain recovery**

SHIPPERS have to play their part in ensuring supply chains run smoothly as container shipping emerges from the pandemic, according to Hapag-Lloyd chief executive Rolf Habben Jansen.

Speaking during a webinar for customers, Mr Habben Jansen said the Hamburg-based line had launched several quality promises to help shippers and improve its service. These included fast booking confirmations, accurate documentation and invoicing.

"It is important to point out that in order to improve quality we definitely also need your support and commitment," Mr Habben Jansen said. "If we want to work together we need to both do our part."

**Standards set for wider use of methanol as marine fuel**

A NEW technical reference for methanol bunkering has been developed to boost safety in handling a fuel that could enable the shipping industry to meet greenhouse gas emission targets.

The Methanol Institute joined with classification society Lloyd's Register to produce the reference, which includes checklists for handling of the fuel on board ships, to promote an understanding of how methanol bunkering can be done safely.

It is being launched ahead of the International Maritime Organization's Marine Environment Protection Committee's 75th session, during which participating member states are expected to review the extension of one regulatory code to encompass methanol bunkering.

**India to restart ship-recycling yards**

INDIA has decided to restart the Gujarat Maritime Board's second shipbreaking yard at Sachana village in Jamnagar having resolved issues pertaining to its environmental clearances, according to a government release.

According to the release, the ship-breaking yard in Sachana will be modelled on the one in Alang, which is the world's largest shipbreaking yard.

The yard had been closed since 2012 following a dispute regarding whether a part of it falls under the Marine National Sanctuary and poses a threat to the aquatic flora and fauna there.

**Secure digital pass for coronavirus certification to be trialled**

HONG Kong-based shipping tech firm Crew Assist has teamed up with global authentication and secure traceability solutions provider Sicpa to come up with a technology-based solution for maritime crew changes.

Part of the problem surrounding crew changes has been regulatory bodies and government agencies questioning the authenticity of paper documents certifying seafarers are coronavirus-free. This has been exacerbated by some seafarers using fake certificates.

"Since the onset of the pandemic, the industry has been battling the bureaucracy and fluctuating regulations preventing seafarer changes," said Crew Assist chief executive Jonathan Jones.

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## Classified notices follow