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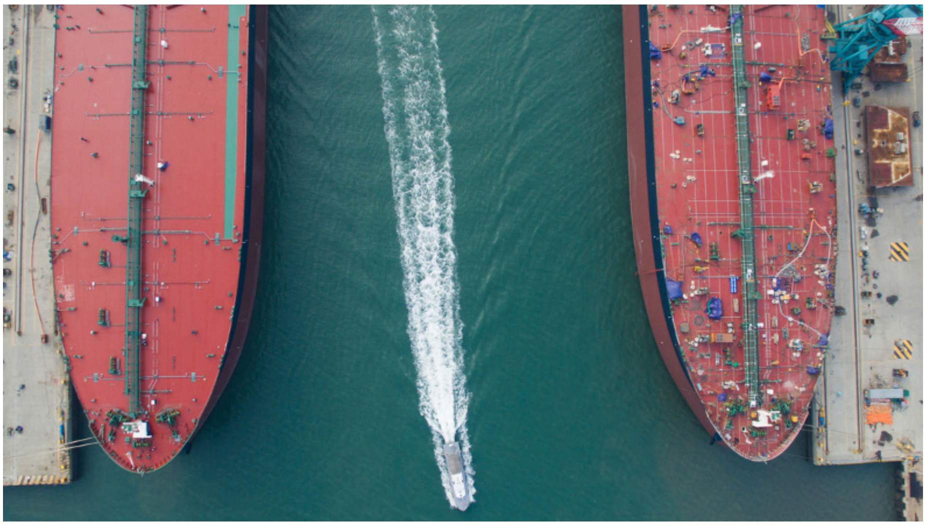
EU's carbon market plan for shipping faces industry backlash



THE SHIPPING INDUSTRY has criticised the European Parliament after it voted to adopt a proposal to include shipping in the bloc's Emissions Trading System.

"Any unilateral proposal to extend the EU-ETS to international shipping, covering voyages by non-EU flag ships starting thousands of miles away from the EU, risks derailing the global negotiations at IMO and increasing trade tensions," said International Chamber of Shipping deputy secretary-general Simon Bennett.

Under the adopted proposal, emissions allowances would be allocated to shipping through full auctions, meaning there would be no free allowances permitted.

The rules cover all voyages to and from the bloc's ports, including emissions during voyages in non-EU waters.

Part of the reason the industry has resisted such a system for shipping are the concerns that once it comes into place it will not be lifted in the future and that other jurisdictions will follow suit with their own measures, thus inflating costs to shipping and threatening the potential for a single global measure.

BIMCO deputy secretary-general Lars Robert Pedersen said it was impossible to think of a situation in which the European Union would revoke this fund-generating measure even if the International Maritime Organization adopts its own market-based measure to curb emissions.

"I think there is a failure to understand the true ramification of what they are doing here," he said in an interview.

The emissions trading system extension to shipping was included in a set of legislative amendments to the Monitoring Reporting and Verification system that governs ships calling at European Economic Area ports.

It has to be negotiated with the European Commission and the Council of the EU before becoming law.

Though the Commission has repeatedly expressed its desire to include shipping in the carbon market, it has signalled that it does not support the parliament's approach of bundling this issue with reforms to the MRV and wants it to be taken up as a separate issue.

This latter point has also discomforted industry representatives who feel the parliament has tried to insert shipping into the emissions trading system through the back door with the MRV, without giving it the appropriate amount of scrutiny.

The European Commission is expected to develop an impact assessment and roll out its proposal for a revamped system that will include the maritime sector around mid-2021.

The European Community Shipowners' Associations also warned that regulatory measures without impact assessments would not be "prudent".

"We trust that the Council will put on hold any proposals until a thorough and comprehensive impact assessment is carried out. Any decision that will be taken has to truly work and actually deliver results," its secretary-general Martin Dorsman said in a statement.

Ralf Nagel, chief executive of the German Shipowners' Association, said that the exact parameters of the emissions trading system were too vague to comment on at the moment.

"It is nevertheless already obvious that it would be a wrong incentive by a regional measure to deprive international shipping companies of funds they would otherwise invest in more modern, more efficient and thus more climate-friendly ships," he said in a statement.

Decarbonisation needs global rules, says Greek shipping minister

GREECE'S shipping minister Ioannis Plakiotakis has spoken out against regional approaches to cutting emissions in the sector.

The appeal comes amid progress made by the European Union in including ocean transport under its Emissions Trading System, a move that could complicate the industry's decarbonisation efforts.

"We should always keep in mind that the de facto international nature of shipping requires the application of global uniform rules and standards, which correspond to the modalities and the practicalities of international shipping and preserve a global level playing field," Mr Plakiotakis told the Capital Link China Shipping Forum.

Mr Plakiotakis added that the nature of the problem of world climate change "leaves no space for regional approach", as he called for the conclusion of a global agreement on the reduction of the greenhouse gas emissions in international shipping.

The remarks came as lawmakers in Brussels on Tuesday voted in favour of a set of legal amendments on emissions reductions obligations that would affect around 11,500 ships calling at ports in the European Economic Area.

The European Parliament supported the proposal that as part of these amendments, shipping should also be included in the Emissions Trading System, the bloc's current tool to limit emissions from most industries, beginning in 2022.

Shipowners from Greece, the world's largest shipowning nation, have been lobbying against the attempt. Theodore Veniamis, president of the Union of Greek Shipowners, said earlier this year that the EU "pressure" threatened progress at the International Maritime Organization towards the longer-term goal of decarbonisation.

The IMO will restart negotiations on global short-term greenhouse gas measures during a virtual meeting in November.

Mr Plakiotakis pointed out the pressing need to reach an agreement on such measures "that will be uniformly applied by all ships around the globe".

He said Greece had, together with some marine states and the most significant industry associations, proposed a solution, which utilises an energy efficiency design index for existing ships and can be easily implemented.

The country last year submitted a proposal concerning the limit of main engine power to the IMO.

"Greece looks forward to co-operating with all our counterparts in IMO, and particularly the major maritime countries like China… to come up with the most practical and effective measures from both shipping and environment perspectives," Mr Plakiotakis said.

WHAT TO WATCH

Hull underwriters must 'do a lot more' to push up premiums

HULL underwriters must do more to ensure higher pricing in the wake of last year's fractional increase in premium volumes, the chair of the International Union of Marine Insurance ocean hull committee has said.

IUMI's facts and figures committee yesterday reported that global ocean hull premiums hit $6.9bn in last year, a gain of just 0.2% on 2018.

Singapore-based Rama Chandran of QBE Insurance described that outcome as a disappointment, especially in light of more optimistic earlier predictions for a market that has rarely booked an underwriting surplus since 2005.

The good thing is that "price adequacy — although price inadequacy are the right words to use here — is trending upwards," he told the trade association's annual conference.

"There was some expectation for the 2019 premium [increase] to be a lot more than the 0.2% we have seen from the facts and figures committee. Hopefully that will change for 2020," he said.

"We definitely need to do a lot more to bring [the market] to a better level. Gross premium has not kept pace with the increase in gross tonnage or the increase in average age, which is creeping up."

Fundamentally, the problem is an ever-widening gap between an increasing amount of tonnage being insured and a decreasing global premium pot.

But global premiums are now stabilised, and while the gap is still increasing, it is doing so at a slower rate than previously.

Nor do 2019 numbers account for the shrinkage of underwriting capacity in the hull market, which really only took effect at the end of 2019 and early 2020, following the withdrawal of over 30 Lloyd's syndicates from some or all marine lines in the wake of the Decile 10 clampdown on poor performers.

In addition, the world fleet is ageing, and thus less valuable, and newbuilding prices remain depressed. An overall reduction in asset values will directly impact premiums.

So far coronavirus appears to have reduced the number of claims because of reduced vessel utilisation. But the trend may soon be reversed, because Covid-19 has made it difficult for owners to commission on-board inspections, secure spare parts and perform routine maintenance.

Once the situation normalises, a sharp increase in attritional claims is in prospect, Mr Chandran added.

The number of onboard fires, not just on boxships but also car carriers and now a VLCC, also remains worryingly high.

Bunker sales may fall up to 17% in 2020

MARINE fuel sales, which were seen falling across most markets in June, are expected to wrap up 2020 with a full-year decline of up to 17% for this pandemic-afflicted period, a representative from a leading industry body said at Platts APPEC 2020.

International Bunker Industry Association director Unni Einemo noted during the virtual conference on Wednesday that some markets posted 30% to 40% lower bunker sales on the year in June.

Bunker volumes had held up earlier in April and May when ships took advantage of softer prices to top up fuel tanks.

Prices of compliant fuel oil have more than halved since the coronavirus outbreak began, from over $700 per tonne done on trades in December and January, before the International Maritime Organization's 0.5% limit on sulphur in marine fuels came into force.

Ms Einemo pointed to forecasts suggesting significant decreases of 7% to 17% in global bunker demand this year as evidence of further collateral damage from the widespread trade disruptions caused by the worst-ever pandemic in recent history.

She qualified however, that major ports including Singapore, so far remained the "least affected".

Singapore's bunker sales fell below 4m tonnes in May and June but rebounded to over 4.1m tonnes both in July and August, outperforming the volumes posted for the same months in 2019, statistics from Maritime and Port Authority of Singapore showed.

Ms Einemo viewed Singapore as one of the major ports that had been boosted by its reputation as a 'safe haven' for ship refueling.

"Buyers are confident they will get the quality and quantity of bunkers they are after at Singapore … the port still offers high sulphur fuel oil (or fuel oil with 3.5% sulphur content) as an example," she explained.

Ships pre-installed with scrubbers, or exhaust gas cleaning systems, enjoy exemptions from the IMO 2020 rule and still seek supplies of HSFO.

Going by the marine fuel mix supplied out of the world's top bunkering hub of Singapore, however, fuel oil of 0.5% sulphur, or VLSFO, has displaced HSFO as the dominant ship fuel choice since January.

Ms Einemo argued that the much larger portion of VLSFO sales can be taken as one indicator of what she deemed as 'surprisingly high' compliance with the IMO 2020 regulation.

What perhaps has helped boost compliance is the relative affordability of VLSFO, she suggested.

The spread or differential between prices of HSFO and VLSFO traded in Singapore has narrowed dramatically since Oct 1, 2019.

The HSFO-VLSFO spread fell to as low as $50, down from a high of $361 seen in the last 12 months, Ms Einemo noted, citing S&P Global Platts data.

Malaysian refinery to shut down in November after US sanctions threat

US SANCTIONS on Venezuela crude will temporarily shut down the Kemaman asphalt refinery on the eastern Malaysian coast because it is configured to take 90% of its feedstock of heavy crude oils from the South American country.

The small, 50,000 bpd refinery is owned by the Tipco Asphalt Group of companies and is the only one in southeast Asia that processes heavy naphthenic crude oils to product naphthenic asphalt, atmospheric gasoil, vacuum gasoil and naphtha, according to its website.

Grades cited from Venezuela are Boscan, Banchaquero and Laguna.

The refinery will wind down crude oil procurement from Venezuela from November 20, Thai parent company Tipco said in a statement, citing correspondence with US State Department officials.

"The refinery will have to shut down temporarily until the sanctions against Venezuela are lifted or we find alternative feedstock," the statement said.

Nine shipments of Venezuelan crude discharged about 6m barrels so far in 2020 at the Kemaman refinery's receiving berth, according to data from Lloyd's List Intelligence. The most recent shipment was tracked in July.

There are eight very large crude carriers with 16m barrels of Venezuelan crude currently at anchor on the western coast of Malaysia, some for as long as eight months, as Venezuela struggles to find buyers for its oil.

The heavy Merey grade is similar to bitumen, prompting widespread trading speculation that some refineries in China may be importing the crude from these VLCCs while declaring it as bitumen.

The continued presence of Venzuelan tankers offshore Malaysia, and the number of ship-to-ship transfers adds to this theory.

Malaysia has become a significant supplier of bitumen to China in the past six months, which has been attributed to many refineries blowing out their annual import quotas after a buying crude at 21-year low prices earlier in the year.

Bitumen imports from Malaysia from May have been at levels 10 times higher than average, according to a presentation at an S&P Global Platts conference on September 9. Such feedstock not only helps refineries skirt quotas but entitles them to an 8% tax exemption under an agreement with China and members of the Association of Southeast Asian Nations.

OPINION

Maersk Etienne migrant conclusion must not be the end of the story

THE migrants picked up by *Maersk Etienne* in early August are now safely ashore, and the crew will soon disembark for some well-deserved rest and relaxation.

However, after the brief explosion of interest in the drama that forced officials to finally act, politicians are likely turning back to the other pressing issues dominating the news cycle, such as the pandemic response, looming recessions, rising unemployment, racial tensions and the environment.

But migration remains high up the agenda, with the plight of those without shelter after a fire destroyed the refugees' camp on Lesbos also capturing world attention.

So why worry about the few who were lucky enough to be picked up by a tanker and had to wait five weeks before being allowed to disembark?

They had food and water and were safe if somewhat uncomfortable at night in makeshift sleeping quarters. Surely there are more important things for the political classes to be concerned about than a few North African asylum seekers and the 21-strong crew of a small product carrier?

The maritime community must not let that line of thought become entrenched.

With the episode still fresh in the minds of the authorities, industry leaders must keep up the pressure for some clear guidelines that will ensure ships and seafarers do not become political hostages as governments argue about who should take responsibility for those who have been rescued.

Otherwise, less responsible shipowners may just ignore calls for help rather than risk a repeat of the *Maersk Etienne* affair.

To recap, *Maersk Etienne* is owned by a company that is part of one of the world's biggest shipping portfolios, which in turn is controlled by the influential and highly-regarded Maersk Mc-Kinney Moller family.

The ship is registered in Denmark, a respected flag state. Yet even with the support of its parent companies and a significant diplomatic push by the Danish government, *Maersk Etienne* remained stranded off Malta for more than a month.

So little wonder if other, less well-connected shipowners, decide to take evasive action rather than go to the rescue of those in danger, even if lives could be lost as a result.

No seafarer would ever want to ignore pleas for help, but unless the rules are changed, that may happen. The Maersk Etienne affair exposed serious gaps in the law, with no instruction about what should happen once migrants or anyone else in difficulty at sea are safely rescued.

Yet it would take years to amend relevant international law, as set out in United Nations Convention on the Law of the Sea, and International Convention for the Safety of Life at Sea.

So a more immediate solution needs to be found, at least to cover the Mediterranean.

There are no easy answers, otherwise the *Maersk Etienne* ordeal would never have happened.

Nevertheless, the politicians must not be let off the hook now that the 38-day stand-off is over.

The International Maritime Organization, International Chamber of Shipping, flag states, individual shipowners, operators and managers, crewing agents, charterers, shippers, marine insurers, P&I clubs, nautical unions, and every other stakeholder should come together to ensure the issue of migrant rescues at sea remains in focus.

Some form of legally-binding process needs to be established that will provide reassurance for every shipowner and seafarer. This is a matter that the international community must resolve, and quickly.

A rescue at sea is a dangerous and tricky exercise. Those who are prepared to risk their own lives to save others should get the recognition they deserve, not be ignored and quietly forgotten once the spotlight is switched off.

The *Maersk Etienne* crew went well beyond the line of duty. Now it is the turn of the politicians to step up and do their part.

ANALYSIS

Australia-China tensions set alarm bells ringing for dry bulk market

GEOPOLITICS seem to be playing a major role in the fortunes of the dry bulk sector and look set to realign raw materials and grain trade flows.

The long simmering spat between Australia and China, which has every indication of intensifying, is seen as a negative factor.

For years, China's rising economic development has been a treasure trove for Australian business. The Asian economy accounts for almost one third of Australia's total exports and contributes around 6% to Australia's gross domestic product.

Iron ore, coal and liquefied natural gas comprise around 60% of Australian exports to China, according to the Department of Foreign Affairs and Trade.

Around two decades ago, China bought about 5% of Australia's total exports. That figure had risen to an all-time high of 48.8% in the first six months of 2020, according to Australian Bureau of Statistics data.

Yet Beijing has shown that it will not hesitate to make use of the trade relationship for political ends.

Although data shows that the trade relationship between the economies remained steady despite increased friction in the first six months of the year, the latest Chinese customs data clearly indicates that trade is deteriorating.

In August, the value of Australian goods exported to China declined by 26.2%, the steepest monthly drop experienced by any country.

Tensions between China and Australia have escalated after the latter pushed for an independent inquiry into the origins of the coronavirus pandemic, in addition to banning Chinese telecoms company Huawei from participating in Australia's 5G network.

In response, China slapped trade sanctions on barley and beef exporters and has warned that it could swap Australian iron ore for African iron ore.

Barley twister

In a further twist, China intensified the trade tensions with Australia at the beginning of September, halting barley imports from the country's biggest grain shipping company.

The world's largest consumer of agricultural products suspended imports from CBH Grain in Western Australia on allegations that harmful weeds were found in the shipments, according to a statement from Chinese customs.

CBH said its exports to China met all requirements and it would work with the government to have the suspension overturned.

As CBH is the largest grain exporter in Australia, the ban will have a significant impact on the amount of grain that is shipped to China.

"August saw the lowest monthly level of shipments on record, according to AIS data, at the expense of panamax and supramax demand," Braemar ACM analyst Nick Ristic told Lloyd's List.
It is, however, seen that Australia has found markets

for these lost volumes elsewhere, with increased flows to the Philippines and South Korea in August, he said.

Earlier in June, Australian farmers were already in effect blocked from exporting barley to China, as Beijing imposed tariffs of 80.5% on the commodity.

Coal and iron ore could be next

As Beijing is mostly taking tit-for-tat measures, even iron ore and coal might not be spared from the Chinese onslaught.

Although China is mostly dependent on Australia for high-quality coking coal to feed its steel mills and thermal coal for its power plants, coal has repeatedly attracted the scrutiny of Beijing.

In recent months, import quotas have been imposed on Australian thermal coal for power generation, with state-owned generators directed to use domestic product instead.

"We have previously seen Chinese authorities having seemingly created politically motivated bottlenecks in customs clearing of Australian coal," Cleaves Securities analyst Joakim Hannisdahl noted.

Around 44% of Chinese coal imports are from Australia, but Chinese authorities have much more leeway in terms of adjusting domestic production and sourcing coal from other destinations such as Indonesia, South Africa and Mongolia he said, pointing out that this could potentially be negative for capesizes and panamaxes.

For the time being, iron ore has been immune as it is more difficult for China to source it from elsewhere and its domestically produced ore is of a much lower quality. But the trade could end up becoming a strategic weapon in the event of a significant rise in regional tensions.

"For now, we view this scenario as quite unlikely, given China is heavily dependent on this source, which accounted for almost two thirds of Chinese imports so far this year," Mr Ristic conceded.

"There are very few low-cost, efficient sources of iron ore that China could significantly expand its purchases from in the short term to replace West Australian supply."

However, this could theoretically be possible in the longer term if Brazil continues to expand its output and once projects in West Africa begin to put tonnes into the market, though this is a long way off, he added.

Meanwhile, BIMCO's chief shipping analyst Peter Sand believes that the record Chinese iron ore imports and stockpiling suggest that the nation is preparing for a further escalation of tensions.

In addition, the Chinese government's approval and latest move to build four new valemax berths have reinforced its intention to reduce its reliance on Australian iron ore, which will have a long-term impact on trade flows of the commodity.

Southern California ports see buoyant throughput

THE San Pedro Bay ports of Los Angeles and Long Beach recorded a second consecutive month of increased throughput of containerised imports in August, but officials and experts remain cautious over the future.

Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation, reminded a news conference that "the future of the economy really depends on the future of the pandemic, and the path of the virus right now continues to be the biggest uncertainty".

At the same news conference, Port of Los Angeles executive director Gene Seroka agreed with Mr Gold's assessment, saying that "our economy remains in a very precarious position" and that "one month, or even one quarter, does not make a trend".

Los Angeles' loaded imports for August increased by 18% to 516,286 teu compared to August last year. Loaded exports decreased 10.2% to 131,429 teu while empty containers increased 13.3% to 314,118 teu.

Total volume increased 11.7% to 961,833 teu year-on-year, but in the year to date, cargo has decreased by 11.7% compared with 2019.

Mr Seroka noted that the port saw the "lowest container volumes in more than a decade" during May, but that a surge of imports had occurred since then due to "a significant replenishment of warehouse inventories" and "retailers planning for consumer holiday spending".

Mr Seroka denied media reports that the surge of imports has created any diversion of traffic to other ports, but he mentioned the port's recently released "Signal" data website which can improve flow for stakeholders.

"With our recently released Signal data powered by the Port Optimizer, we are working with supply chain partners to improve cargo fluidity and advanced visibility to track, plan and prepare for cargo," he said.

The Signal, which is updated daily, provides users with a three-week advanced look at cargo coming into Los Angeles.

Earlier, the Port of Long Beach announced the best August in its 109-year history, marking what officials called "a strong start to the peak shipping season, although Covid-19 continues to create long-term economic uncertainty".

Port executive director Mario Cordero, said August marked another great month for the port, but that "we must remain vigilant about the global pandemic's lasting effects".

"Despite the recent surge in cargo, uncertainty remains in international trade and the national economy, given the ongoing Covid-19 impacts," he said.

In August, Long Beach moved 725,610 teu, a 9.3% increase over August 2019, with imports rising 13% to 364,792 teu while exports climbed a mere 1% to 126,177 teu. Outbound empty containers climbed 8.5% to 234,642 teu.

Port officials said the boost in traffic was coming at the start of the peak shipping season, which typically runs from August to October as retailers prepare for the upcoming holiday shopping season.

They said demand for goods such as home improvement items and home exercise equipment contributed to the August increase, along with extra vessel visits that made up for earlier blank sailings.

So far, Long Beach has moved 4.91m teu in the first eight months of 2020, down just 1.2% from the same period in 2019.

MARKETS

Tanker consolidation to favour first movers on green shipping

OIL production peaking in the next two decades will trigger a consolidation in the tanker market that favours early movers on sustainable shipping.

"Peak oil demand could be upon us in 10 to 15 years, or maybe shorter, in 10 years," said Rajalingam Subramaniam, chief executive of tanker owner-operator AET, during the Platts APPEC 2020 virtual conference.

Total chief executive Patrick Pouyanne has warned of oil production peaking by 2030 or 2040, with renewables making more inroads as the world economy ramps up on decarbonisation.

Ben Luckrock, Trafigura's co-head of oil trading, told this week's conference of the prospect of global oil demand not managing to recover to pre-pandemic level of around 100m barrels per day.

These projections build on the fact that renewables have attracted more investments despite the pandemic, while oil majors have slashed capital expenditure on prospecting and extracting oil reserves.

Others have counter-argued, however, that tanker demand will hold up in the foreseeable future.

Eni's head of trading for APAC Stefano Grasso suggested that the global fleet should remain "well-utilised" as oil demand is not going away for at least another 10 years.

Mr Subramaniam appeared to take a similar viewpoint but with the caveat that consolidation will be inevitable.

The broader energy shipping industry "will also become more sustainable" but "in a consolidated manner".

The AET chief essentially suggested that those who moved earlier on green shipping and human capital development would be more likely to ride out the next industry shake-up.

He noted, that in this respect, the wider shipping industry should draw on lessons learned from the mandatory transition to low-sulphur fuels.

Many wasted time pondering over whether the overarching industry regulator, the International Maritime Organization, would postpone the deadline for the low-sulphur transition from the start of this year.

That clearly was not Mr Subramaniam's take on the situation.

AET started test-runs of low-sulphur marine gas oil and other compliant fuels last July, completing the regulatory required switch-over by October.

The shipping line was also among pioneer investors in liquefied natural gas dual fuel tankers, and has slashed the carbon intensity of its fleet by 15%-20% over 2008 levels.

Mr Subramaniam added that AET aims to have about half of its planned newbuildings running on LNG dual-fuel engines.

This is expected to contribute to it reaching its goal of meeting by 2025 the next carbon intensity target set out by the International Maritime Organization for 2040.

Moving beyond LNG, Mr Subramaniam also flagged a joint development project by AET's parent group, MISC, on an ammonia-fuelled tanker.

Ammonia and hydrogen are two next-generation fuels touted as enabling carbon-neutral shipping, though their adoption still face multiple challenges.

While buoyant on the green promise of ammonia as a ship fuel, Mr Subramaniam said: "I suspect it will be in second half of this decade before we see exponential growth in infrastructure and commissioning of the technology."

OOCL backtracks on blanked transpacific sailings

ORIENT Overseas Container Line has dropped a plan to blank a series of transpacific sailings, after a meeting between carriers and the Chinese government last week.

The announcement has proved earlier market talk that Cosco Shipping, the state-owned parent of the Hong Kong-based shipping line, has taken the lead in following Beijing's advice amid concerns about soaring transpacific rates.

A total of six services from China to the west coast of North America, which had been planned to be cancelled from next month, will be resumed, said the Hong Kong-based box shipping line.

The move comes after carriers, including OOCL's parent Cosco Shipping, attended a consultation organised by China's transport ministry with the aim of curbing the skyrocketing spot rates on transpacific trade.

The regulators were said to have made suggestions to carriers that they should increase vessel capacity to temper shippers' concerns over increased shipping costs and reduced service reliability.

"[Shippers] experience price increases, at a time where they also see severe disruptions to their supply chains — first in terms of blank sailings, now in terms of cargo rollings because vessels are full," said Sea-Intelligence in a recent report.

The consultancy added that more intervention from the EU and US competition authorities could emerge if the market conditions remain.

The rising regulatory intervention is expected to affect shipping lines' ability to conduct effective capacity management, which has been a key tool used by them to short up freight rates and earnings since the coronavirus outbreak this year.

Reefer resilience safeguards sector during downturn

SEABORNE reefer trade is expected to weather the economic shock caused by the coronavirus pandemic much better than dry cargo.

This was the conclusion of a webinar held by London-based Drewry, which said that the "broader resilience" of the food supply chain would ensure business in the containerised reefer sector will remain brisk in the months ahead.

Martin Dixon, the analyst's head of research products, said the consultancy is forecasting seaborne reefer traffic to grow to 150.6m tonnes by 2024 from 130.5m tonnes in 2019, representing a compound annual growth rate of 3.7% over the period.

This he said was broadly similar to growth trends over the past decade.

"However, what's interesting, though, is that it's a much faster pace of growth than we are anticipating for the wider dry cargo trade," said Mr Dixon.

In its latest forecast for the standard dry market, Drewry said it anticipated a CAGR of 2.2% through to 2024.

Drewry said that its anticipation for greater resilience in the reefer sector also reflected how it fared much better in the fallout of the financial crash of 2008-2009.

However, he expects that growth will be more marked in the dry box segment next year, as refrigerated containers will not be coming off such a low contraction in 2020.

Reefer trade will also continue to benefit as a consequence of the African Swine Flu, particularly in China, which has significantly increased demand for pork exports. Pork is China's primary source of protein. In 2019, the shortage of China's domestic pork helped drive meat imports into Asia by as much as 11% in 2019, according to Drewry.

Globally, the outbreak of the deadly pig virus led to a 17% rise in meat exports last year, a trend that helped offset numerous headwinds to ensure growth in the overall reefer market, albeit lower than previous years at 1.6%.

Last year, the reefer market experienced a 6% contraction in citrus traffic due to droughts in Spain and South Africa, as well as a 5% drop in vegetable shipments due to incremental weather conditions, most notably in India and the US, in addition to flatlining shipments of deciduous fruit due to extreme weather conditions in Europe and a Chilean drought.

Drewry head of reefer shipping research Philip Gray said that its forecast for the coming years was subject to further adverse climatic conditions, which could have an enormous impact as seen in 2019.

Adding equal uncertainty is the ongoing trade war between the US and China, a "wildcard" that could have a significant impact on reefer cargo flows if tensions rise once more, he said.

With reefer trade outpacing growth in the dry sector, Drewry said it expected reefer rates to follow suit as it would put the squeeze on an existing equipment shortage, at least in the short term.

Meanwhile, the consultancy said there was a less positive outlook for the conventional reefer sector.

This specialised trade has slowly been eaten up by the cheaper alternative of transporting perishables in refrigerated containers by the major liner operators.

Drewry said it expected specialised reefer vessel traffic would fall by 8% each year through to 2024, while containerised cargo would increase at a 5% CAGR during this period.

Having once dominated the sector and having a market share of more than 60% at the turn of the century, this would result in the conventional sector representing just 8% of the market come 2024.

Mr Dixon said that conventional reefers would remain strong in the South America west coast region and on the Central America & Caribbean trade, where these vessels have a strong presence, particularly in banana exports, and market share of up to 25%.

Nevertheless, with ageing vessels and a lack of specialised newbuilds on the horizon, there is an expectation that even here the conversion to reefer containers will start to accelerate.

IN OTHER NEWS

Wallenius Wilhelmsen expects to lose quarter of business

WALLENIUS Wilhelmsen, one of the world's biggest operators of car carriers, expects to lose almost 25% of its business due to the impact of the pandemic, a senior executive has told the

International Union of Marine Insurance conference.

Karolina Kjellgren, the company's vice-president Oceania trade, addressed the virtual event this morning as part of the ocean hull workshop session.

Ms Kjellgren said that Wallenius Wilhelmsen last year handled 4.5m units and processed 7m units, operating 140 vessels over 1,200 sailings.

Ports see a return of worker shortages

PORTS are facing a shortage of workers and investment as a result of the pandemic, according to the International Association of Ports and Harbors.

Its survey of 85 ports identified that both worker availability and investment delays were becoming issues to port and terminal operators.

Ports facing dock worker shortages early on in the pandemic ranged between 13%-22% of respondents in weeks 15 to 23, with only 2%-5% reporting severe shortages, the report's authors said.

First deepsea LNG containerships prepare for service

THE first deepsea container services using ships fuelled by liquefied natural gas are due to begin later this month.

CMA CGM's 14,812 teu *CMA CGM Tenere* and 23,112 teu *CMA CGM Jacques Saadé* will join The Alliance's NEU4 service and will be followed by another eight 23,000 teu units and eleven 15,000 ships, according to Alphaliner.

"The CSSC-built megamaxes are designed to trade between northern Europe and Asia, a route on which they will be supported by three conventionally-powered scrubber-fitted ships of 21,000 teu built in 2018," it said.

IUMI launches claims database

THE International Union of Marine Insurance has made global claims statistics from its major claims database publicly available for the first time, after three years in development.

The database contains input from 22 national insurance associations, recording 6,800 incidents of losses totalling $10.2bn, and has been compiled in partnership with Boston Consulting Group.

"Because cargo underwriting tends to be more evenly spread geographically than hull, we have more robust data for that insurance line and we are now ready to make public our initial major cargo claims conclusions," said Dave Matcham, chief executive of the London-based International Underwriting Association, who led the project.

Seadrill suspends debt payments, hires restructuring advisers

OFFSHORE rig operator Seadrill has agreed with creditors to suspend interest payments due this month as part of talks to restructure its $7.3bn debt pile.

The Oslo-listed company said creditors agreed not to exercise their rights until September 29, but this could be extended. The deal covers senior and secured credit facilities, notes and guarantees.

But the 'forbearance agreements' do not cover lease agreements for three of its rigs, and Seadrill warned non-payment of interest under those agreements could lead to cross-defaults.

Sovcomflot targets at least $500m from share sale

SOVCOMFLOT, the Russian-state owned shipping company, plans an initial public offering to raise at least $500m on the Moscow Exchange.

The company, which has been thought to be aiming for an IPO for several years, said the Russian state would remain a majority shareholder after its completion.

"The company intends to use net proceeds from the placement of the offer shares for general corporate purposes, including, without limitation, investments in new assets, with a focus on industrial projects, decarbonisation and further deleveraging," it said.

Maersk and Canadian Pacific boost prospects for Vancouver

CANADA'S Port of Vancouver, already seen as a rival to US Pacific Coast ports, now has another competitive advantage following a decision by Maersk and Canadian Pacific Railway to build a new transload facility at the port.

Omar Shamsie, president of Maersk Canada, said the agreement with CP "installs more agile supply chain options and capacity to and from Vancouver for our North American customers".

He said that marketplace fluctuations, e-commerce demands and omnichannel fulfillment were testing every company — so this "integrated logistics solution" with CP would clearly elevate supply chain performance.

Oil price boosted as US facilities brace for hurricane Sally

OIL prices rose on Wednesday as Hurricane Sally neared landfall in the US, forcing the shutdown of more than a quarter of offshore

Gulf of Mexico crude production and a number of refineries.

The centre of the hurricane is expected to pass near the coast of southeastern Louisiana and reach land late on Tuesday or early Wednesday, the National Hurricane Center said.

Earlier on Tuesday, the US Bureau of Safety and Environmental Enforcement reported that personnel had been evacuated from 149 production platforms, representing 23% of the 643 manned platforms in the Gulf of Mexico.

Classified notices follow