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Shipping nations rally behind short-term IMO emissions plan

LEADING SHIPPING NATIONS have united on a short-term proposal to cut greenhouse gas emissions.

The proposal to the International Maritime Organization calls for a blended approach and is backed by 14 governments, including Japan, China, Norway, Denmark, Germany and Singapore.

Leading shipowner lobby group the International Chamber of Shipping is also a sponsor.

The coalition proposes "a combination of mandatory goal-based short-term measures where ships must comply with both operational and technical requirements on carbon intensity to achieve the levels of ambition in the Initial IMO GHG Strategy", according to the document, seen by Lloyd's List.

The proposal would see new broad energy efficiency requirements and individual annual carbon intensity targets, disclosures and rating obligations.

Short-term measures are primarily aimed at meeting the IMO's target of reducing carbon intensity of ships by at least 40% by 2030.

The composition of the sponsoring partners is especially important considering that it consists of governments that until a few months ago were supporting different proposals on how to tackle greenhouse gases.

The united approach reflects the sense of urgency surrounding the issue.

The proposal also came a few days after the European Parliament agreed earlier this month that shipping should be included in the European Union's Emissions Trading System, the bloc's carbon market, starting in 2022, signalling that the IMO is under renewed pressure from the EU to take rapid decarbonisation action.

Governments have been unable to agree on a short-term measure despite discussing the issue since early 2019 and the postponement of IMO meetings earlier this year due to the coronavirus reinforced a willingness by the proponents of different measures to come to a faster agreement.

The new proposal was made to the intersessional working group on GHG emissions, which will meet virtually in mid-October. That meeting will be held behind closed doors ahead of the Marine Environment Protection Committee, the supreme IMO environmental authority that makes decisions on policy and regulations, which next meets in November.

The sponsors want the combination of proposed measures using elements from four proposals already tabled in 2020 but which have not been fully discussed or agreed on.

The key pillar is the Energy Efficiency Existing Ship Index (EEXI), originally proposed by Japan and later supported by Norway, Greece, Panama and others. A technical measure, it would impose specific energy efficiency targets on the existing fleet based on ship type and size, following the logic of the Energy Efficiency Design Index, which imposes these targets on newbuildings.

The sponsors also want to include the operational measure of a carbon intensity indicator (CII), which was proposed by Denmark, Germany and France and would force each vessel to have individual annual carbon intensity targets. Added to this is a carbon intensity rating mechanism proposal that had been suggested by China and Brazil.

They want to use this CII to rate each ship based on its performance compared to an agreed CII reference line. The IMO would then classify each ship annually in a category, using letter grading from A to E, based on its annual attained CII.

Finally, the sponsors want to utilise a different proposal by Greece, Japan and Norway, which aimed to strengthen the role of the Ship Energy Efficiency Management Plan that all ships are required to have.

Under the combined proposal, a ship's SEEMP will include its required annual operational CII as well as a plan on how it will seek to attain that CII and a procedure for self-evaluation and improvement.

"Within a very limited timeframe, China, Denmark, France, Germany, Japan and Norway worked actively to find a proposal combining EEXI, SEEMP, CII and a rating mechanism," the proposal said.

In spite of their involvement in some of the above proposals, Greece, Panama and Brazil are not co-sponsors of the combined proposal.

The different original positions among the various co-sponsors mean that they disagree on certain points and have laid out options for three specific issues for the intersessional meeting to decide.

The first difference is whether the CII ratings should apply to ships of 400 gross tonnes and above or ships of 5,000 gt and above.

The other two contentious points come with more parameters and options. The first concerns what should happen to ships with inferior CII ratings, especially those with D or E ratings. The second covers the options for calculating the reduction factor of the EEXI relative to the EEDI reference line, that determines how improved each newbuild type and size must be.

"The co-sponsors preferred not to increase the number of options to avoid complicating the content of the proposal. It is acknowledged that other options or combinations of options are conceivable," the co-sponsors said.

If governments are able to agree and pick among these alternatives during the two upcoming environmental meetings, the MEPC could approve the proposed regulations.

That would be the first step and the next MEPC that will be held in 2021 would then have to adopt the proposal, making it official regulation.

WHAT TO WATCH

Shell bets on hydrogen's zero-emissions promise

SHELL is putting its money on liquid hydrogen as the preferred zero-emissions ship fuel and aims to bring online potentially one of the world's first hydrogen-powered vessels by 2021.

The energy giant argues, however, that international shipping should start switching to liquefied natural gas and other greener fuel alternatives now, rather than wait for the availability of zero-emissions fuels.

The company meanwhile also announced plans to cut up to 9,000 jobs as part of a streamlining move to adapt to a low-carbon future.

Shell said the reorganisation would result in annual savings of up to $2.5bn by 2022.

Hydrogen as a next-generation fuel can be delivered to ships through "processes involving the fewest transformations", Shell suggested in a published report.

Fuel cells powering ships can switch from drawing and storing energy from LNG to hydrogen.

This backs up the proposition that hydrogen is the most efficient and lowest cost next-generation ship fuel, the report suggested.

Ammonia, on the other hand, boasts higher energy density and its usage has the advantage of freeing up more cargo space on board ships compared to hydrogen.

However, the report warned of the inherent challenges of ammonia's properties — including toxicity and poorer combustion.

Shell has teamed up with Kawasaki Heavy Industries and other consortium partners to develop hydrogen containment and handling systems for what is dubbed the HySTRA vessel.

The vessel will join Shell's fleet in 2021 and help prove the business case for large-scale distribution of hydrogen as a marine fuel.

In a related partnership with class society DNV GL, Shell aims to develop the know-how for safe and reliable on board storage, bunkering and use of hydrogen.

These are steps the supermajor is taking with the aim of removing regulatory hurdles to hydrogen's path to becoming a marine fuel.

The wider shipping industry, however, needs to step up on lowering its emissions profile in order to meet regulatory targets.

The International Maritime Organization has committed to slashing industry-wide carbon intensity by 40%, with the eventual aim of halving ship emissions by 2050.

Shell urged shipping to combine the use of LNG with fuel cells as one means to "lay the foundation" for switching to next-generation fuels and secure "immediate emissions reductions".

Ships can also choose to lower emissions by burning blends of sustainably-sourced biofuel with fossil-based bunkers, which can be used with existing engines.

Additionally, the supermajor called on shipowners to explore carbon offset possibilities.

GasLog is one Shell client to have pursued this option by purchasing carbon-neutral lubricants.

As one of the largest charterers in the energy shipping space, Shell has backed long-term hires of LNG dual-fuel tankers, with 14 of these set to join its fleet from 2021.

The supermajor, which also holds the largest LNG portfolio among its peers, said it was working closely with engine manufacturers to eliminate methane slip from the marine use of LNG.

Concerns over methane escaping into the environment from LNG use have challenged the green credentials of the fuel because methane is a very potent greenhouse gas.

One focus of Shell's future fuels research is on the pathways for bio-LNG and synthetic LNG, which are touted as improving the emissions profile of the currently fossil-sourced LNG.

Shell expects to double its existing LNG bunkering infrastructure on key trade routes by the middle of this decade.

New additions to its bunkering network will include one tanker owned by its Singapore-based joint venture FueLNG and an articulated tug and barge bunker vessel on charter from New Orleans-based Q-LNG.

OPINION

HHLA's Italian job could be a shrewd manoeuvre

HAMBURG Hafen und Logistik (HHLA) has announced a deal that will see the German port operator take a majority stake in a multi-purpose facility in Trieste, Italy.

The agreement, which sees HHLA take a 50.01% stake in Piattaforma Logistica Trieste, or PCT, is the group's third venture beyond Germany. The timing of the move is significant, as the port operator counts the cost of a steep drop in half-year earnings.

The pandemic has highlighted how the group can no longer rely solely on the fortunes of its home port of Hamburg, which was one of the ports hardest hit during the peak of the health crisis.

From a geographical standpoint, the benefits of the Trieste acquisition are obvious.

With the addition of the terminal on the Adriatic Sea to its portfolio, HHLA will have port coverage across the continent.

Trieste offers a southern gateway to Central and Eastern Europe, complementing its Black Sea facility at the Ukrainian port of Odessa to the east. In the north of the continent, in addition to its domestic operation at Hamburg, HHLA also has a presence in Tallinn, Estonia.

With Trieste already connected to HHLA's extensive continental rail network, through its subsidiary Metrans, the acquisition vastly expands its customer reach and provides a vital link to the lucrative Mediterranean trade lanes.

While PCT is a multi-purpose terminal already offering logistics services, the crucial detail that would have sparked HHLA's interest is plans to open the facility to container services from next year with an initial 300,000 teu capacity. Ample room to expand box operations at PCT will be another tick for HHLA.

HHLA's executive board chairwoman Angela Titzrath said that the investment was a "strategic expansion" of its existing port and intermodal network, and one that underlined its ambitions to grow internationally.

However, one could argue that the fallout of the pandemic has also helped prompt such a move, or at the very least accelerate HHLA's ambitions to gain further footholds abroad.

While all of the major ports in Europe's northern range reported a drop in container volumes in the first half of 2020, including Rotterdam (7%) and Antwerp (0.4%), Hamburg's deficit was deeper at 12.4%.

The port attributed the downturn to the unprecedented level of blanked sailings introduced by carriers, as they responded to the volume shortfall by managing capacity accordingly. HHLA chalked up its half-year loss in earnings to a sharp reduction in services across the period.

While true, the extent of Hamburg's drop in traffic was telling. It showed how in times of crisis, carriers will prioritise business and consolidate volumes through affiliated terminals or ones in which they hold a stake. This practice is similar to how carriers also look to lower charter commitments when volumes are going through a period of depression.

While HHLA is Hamburg's principal port operator, it and fellow tenant Eurogate do not have the benefit of an associated carrier, like APM Terminals has with Maersk, Cosco Shipping Ports with Cosco or Terminal Link with CMA CGM.

Hamburg is a special case. It is one of the few major world ports where the absence of a major global carrier as a significant stakeholder is striking, as is the absence of international port players such as DP World and PSA.

Hapag-Lloyd does have a 25% stake in HHLA's and Hamburg's largest box terminal, Container Terminal Altenwerder, as well as a longstanding relationship with its fellow Hamburg outfit.

However, this minority share does not offer the clout or service leverage that other carriers have in neighbouring Rotterdam and Antwerp, whether Maersk at Maasvlakte or Mediterranean Shipping Co at Deurganck Dock.

With nearly all the major carriers having a vested interest at other ports in the northern range, it is understandable that at least some of Hamburg's volumes were sacrificed during the peak of the pandemic, as lines and their respective terminal arms looked to cushion the blow of weak demand.

For HHLA, its half-year result would certainly have struck a chord, despite the extraordinary circumstances.

The pandemic highlighted Hamburg's position in the pecking order in the northern range as rivals gained traffic precedence, but also underlined to HHLA that it could not rest on its laurels.

Branching out beyond its traditional home on the River Elbe and mitigating risk is a must if it is to continue to thrive as an independent port operator.

The Trieste transaction appears to be a sensible move.

ANALYSIS

Freight rates hold firm ahead of Golden Week

SPOT freight rates on the major east-west trades remain largely unmoved as the rush among shippers to ensure cargo deliveries ahead of the Chinese holidays kept voyage loads at a premium.

China's Golden Week, which begins on October 1, signals the end of the peak season for the mainline container shipping trades out of the Far East, and with it a significant slowdown in traffic.

To beat the clock, shippers made the most of this last opportunity to ensure cargo consignments were fulfilled to avoid any disruption over the holiday period.

The Shanghai Shipping Exchange reported that utilisation levels on services from both North America and Europe to the Far East remained tight as volumes showed little sign of weakening.

The latest Shanghai Containerised Freight Index shows rates on the China-Northern Europe trade climbing 8.2% this week to $1,168 per teu, representing its highest value in nearly four years, and by 1.5% to $1,211 per loaded 20 ft box on the China-Mediterranean trade, a near five-year high.

On the transpacific, spot rates fell back slightly by 0.1% on the China-US east coast trade to $4,622 per feu, and edged up 0.2% to $3,863 per feu on the China-US west coast.

Vessels sailed at close to 100% capacity out of Europe this week, and at a similar level on the headhaul transpacific trade, according to the SSE.

On the transpacific, this came despite the addition of more capacity in the market to alleviate the supply-side pressure that has elevated rates on the trade to all-time highs.

"There was still a gap between supply and demand" the SSE said in its weekly market commentary.

Alphaliner noted that average capacity on the transpacific set an all-time high this week at 530,000 teu.

"The offering on the transpacific has been further increased over the past few weeks as both Cosco Shipping Lines and Wan Hai Lines have organised one additional seasonal service each," it said.

The move to add more capacity comes after Chinese shipping and transport authorities warned carriers against aggressive pricing strategies after successive general rate increases continued to elevate freight rates to historical highs.

This was followed by a warning from the Federal Maritime Commission against transpacific collusion.

Although it cannot be confirmed to be a direct response, carriers have since moved to pull the plug on a number of blanked sailings in the post-Chinese Golden Week period.

With demand expected to tail off in the coming days and weeks as Chinese factories shut down and productivity levels take time return normal, all eyes will be on whether freight rates can remain resilient and stay at their current highs.

Shipping welcomes aviation's crew repatriation guidance

SOLVING the crew change crisis requires the shipping industry to co-ordinate its efforts with the aviation sector to facilitate repatriation flights for seafarers.

The International Civil Aviation Organization is calling on governments to grant rapid authorisation for flights for crew members in order to solve the global problem created by the impact of coronavirus restrictions.

At least 400,000 seafarers are thought to be trapped at sea waiting to disembark from vessels, with yet more waiting on land to join ships.

The United Nations agency said the cancellation of seafarer changeover flights and border restrictions "have created an urgent need for facilitating seafarer changeover flights".

It called for governments to grant rapid authorisations for the entry, departure and transit of aircraft for repatriations, seafarer changeover flights and cargo transport flights carrying essential medical equipment and supplies.

"Advanced bilateral communication, coordination, and planning between shipowners, aviation stakeholders and the relevant responsible authorities is essential in arranging seafarer changeover flights," it said.

The International Maritime Organization welcomed the aviation industry support.

"The Secretary-General is confident that this contribution by the United Nations will have a positive impact and alleviate the ongoing crew change crisis," the IMO said.

The International Chamber of Shipping has described the crewing crisis as the single greatest operational challenge confronting the global shipping industry since the Second World War.

"Between March and August 2020 it is estimated that only about 25% of normal crew changes were able to take place, due to restrictions imposed by national health and immigration authorities and the suspension of the majority of international flights," it said.

Though visa-related issues remain in the European Union, the crisis is more acute in Asia, where countries like China and India are restricting crew changes to seafarers of their own nationalities.

Other shipping hubs in the region have softened their stance, but restrictions have also been reimposed due to a spike in coronavirus cases.

"Disappointingly this has sometimes been the case in both Hong Kong and Singapore, despite their status as global maritime centers, although at the end of August 2020 there were some positive signs of increasing flexibility on part of the local authorities," the International Chamber of Shipping said.

The shipowners group also lamented the stance of ship charterers, who have a responsibility in permitting crew changes.

"Unfortunately, many bulk charterers have seemingly been reluctant to accommodate even minor deviations by ships to facilitate crew changes, even when the cost is met solely by the shipowner," it said.

The customers of containership companies could also do more to highlight the problem to governments.

"Apart from the humanitarian imperative, given the impacts of the inability of ships to conduct crew changes for the maintenance of safe and efficient supply chains, this should really be a matter of enlightened self-interest," said the chamber.

MARKETS

CMA CGM reopens for bookings after cyber attack

CMA CGM has restored all communications to its offices, including electronic data interchange connections, following the cyber attack that crippled its network over the weekend.

But in an update this afternoon, the carrier warned of a suspected theft of data from its systems.

"CMA CGM continues to be fully mobilised to restore all its information systems," the company said in an emailed statement.

"Today, the back-offices (shared services centres) are gradually being reconnected to the network thus improving the bookings' and documentation's processing times.

"We suspect a data breach and are doing everything possible to assess its potential volume and nature."

It added that its technical teams, alongside independent experts, were investigating.

Last night, CMA CGM said it was beginning to take bookings again after the attack, which led it to shut down its network.

"Maritime and port operations are functioning as per usual," the French carrier said in an emailed statement. "The booking functionalities remain up and running. Alternative solutions to the e-business site are available in order to support business continuity for CMA CGM's customers."

Its main booking website has a holding page directing customers to use "alternative and temporary processes" for bookings, including INNTRA and manual booking forms.

Logistics firms in the UK say they have begun to book with the company again.

"Towards the end of yesterday afternoon they came up with a manual process, which is basically just Excel spreadsheets," the commercial director of a large UK forwarder told Lloyd's List. "We've now been able to take bookings and we've been able to communicate.

"I've heard that they expect the full booking system to be up and running by the end of today."

There is still limited availability of haulage, however.

"They are going to prioritise some customers over others, without any question," the source said. "All of our bookings yesterday we put elsewhere until late afternoon, so there weren't many to do. We were preparing to do the same for today, so they are not going to get the orders they would have, but that will change over the next few days.

"The manual processes are working, but the proof will be in the pudding."

CMA CGM said it had interrupted external access to its systems as a precautionary measure, in order to prevent the spread of the malware.

"This malware was able to be rapidly isolated and all necessary protection measures implemented," the carrier said.

Port dispute leaves 38 vessels stranded off Australia

AN Australian union dispute has delayed 100,000 containers and held up 38 ships around the country by up to three weeks, according to Patrick Terminals.

The box terminal operator claims industrial actions led by the Maritime Union of Australia will put Sydney three weeks behind schedule, Melbourne 11 days, Brisbane nine days and Fremantle three days.

Maersk and Cosco Shipping have suspended bookings to Australia citing the delays.

Patrick said industrial actions had reduced its operations in Sydney to 50% or 60% of normal levels.

It faces a 24-hour strike at Brisbane and multiple one-hour strikes planned at Melbourne and Fremantle this week.

The union has led industrial action, including stoppages and "work to rule" measures as part of a dispute with terminal operators over pay and conditions.

It is close to a deal covering DP World's Port Botany terminal but the dispute with Patrick continues.

The union has offered Patrick a peace deal, including extending existing workplace agreements for a year with a 2.5% pay rise for dock workers to end all industrial actions.

"When the MUA and Patrick sit down for a conciliation hearing before the Fair Work Commission today, the union will be putting forward this genuine, reasonable, and fair peace offer that could bring the current dispute to an immediate end," national secretary Paddy Crumlin said in a statement.

The union had earlier asked for 6% pay rises for four years. It has denied the industrial actions are responsible for the widespread port delays and accused terminal operators of using the pandemic to cut workers' conditions.

Patrick claimed the union's original demands would add A$40m ($28.6m) a year in operating costs.

The Australian government has sided with Patrick's application to the Fair Work Commission to end the strikes, accusing the unions of holding the economy to ransom in the middle of a health crisis, the Associated Press reported.

IN OTHER NEWS

Bronson Hsieh to step down as Yang Ming chairman

YANG Ming chairman Bronson Hsieh is stepping down after more than four years in the role.

The container shipping veteran will be replaced by Cheng Cheng-Mount, deputy minister of Taiwan's National Development Council, said the Taipei-listed carrier, which is 45%-owned by the government.

"It has been a great honour for me to serve as Chairman of Yang Ming for the past four years," said Mr Hsieh in a farewell letter sent to Lloyd's List.

Clipper Group appoints new chief executive

CLIPPER Group, a Danish shipping company owned by the Jensen family, has appointed former chief operating officer Amrit Peter Kalsi as its chief executive.

Mr Kalsi, who will head up the group as well as the bulker unit, would succeed Peter Norborg from October 1, the company said in a statement.

Mr Norborg, who joined the company in April 2016 is leaving by "mutual agreement" to pursue other opportunities outside the group, it said.

Seafarer charged in US with fatal stabbing on vessel

A FILIPINO seaman has been charged in the US in connection with the fatal stabbing of a crewman on a containership.

Michael Monegro was arrested in Los Angeles and charged with one count of "performing an act of violence against a person onboard a ship that is likely to endanger the safe navigation of the ship."

The federal offence carries a sentence of up to life in federal prison or the death penalty, according to the US Attorney's Office.

Shipping needs time to phase in carbon indicators, says ICS

THE International Chamber of Shipping is backing a proposal for phased implementation of one of the key measures in the International Maritime Organization's planned mandatory carbon reduction package while warning of the risk of market distortion if they are not properly adopted.

IMO member states are due to convene in November to iron out measures to be incorporated in a decarbonisation package for shipping.

One issue the member states are struggling to agree on is the extent to which carbon intensity indicators that are still being developed should be imposed on individual ships.

Storms and human error drive container losses

HEAVY weather combined with poor training is the major cause of container losses at sea, according to a new loss prevention report from the Swedish Club.

It says storms are responsible for half of all such incidents and more than 80% of resultant costs.

While containers overboard make up just 4% of the marine mutual's overall claims, they account for over 10% of all costs.

TEN moves to redeem $50m of preferred shares

TANKER owner Tsakos Enery Navigation has called for redemption of its 2m preferred shares as it continues to reduce debt.

The Series C preferred shares will be redeemed at a par price of $25 per share. The company has been paying coupon of 8.875% on the shares.

The effect of preferred dividends amounted to more than $9.4m in the second quarter of this year — a reduction since last year when the company redeemed its $50m Series B preferred shares.

Piraeus ramps up ship repair business

PIRAEUS Port Authority is projecting another sharp rise in ship repairs this year, in spite of the effects of the coronavirus pandemic.

According to the PPA, it is on course to reach 130 ship repairs in its docks within 2020, a 20.4% increase from last year and almost double the annual number of repairs carried out in 2016, when China's Cosco Group acquired control of Greece's largest port.

Now the PPA is eyeing a rekindling of shipbuilding activities alongside the increased repair business.

Wärtsilä names Volvo's Agnevall as chief executive

FINNISH marine engineering giant Wärtsilä has appointed Håkan Agnevall as chief executive.

Mr Agnevall succeeds Jaakko Eskola, who will stay on temporarily in an advisory role until he retires next summer after 22 years with the group.

Currently president of Volvo's bus division, Mr Agnevall will take up the post no later than April 2021.

Classified notices