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Shipping expects post-pandemic economic crisis

THE MARITIME INDUSTRY faces a global economic crisis in the next decade for which it is woefully underprepared, according to the findings of a survey of shipping leaders.

Respondents to the Global Maritime Issues Monitor 2020 also expressed concern that the pandemic would increase geopolitical tension and drive changes to trading patterns.

It also made it more likely that societal demands for sustainable shipping would grow.

The survey, which was conducted between April 29 and June 8 this year, gained most responses from males (91% of respondents), chief executives (54% by position), those working for shipowners and operators (49% by organisation), and based in Europe (60%).

It was the third consecutive year economic crisis had topped the impact rankings, underlining the interdependent nature of the maritime industry and the global economy.

Environmental issues, which dominated the 2019 survey responses, remained high on the list of concerns, with decarbonisation of shipping again at number 2 in the list.

The timing of the survey meant the impact of pandemics ranked highly and topped the list of issues for which the industry is least prepared.

It ranks 19 issues in terms of three categories: impact, likelihood and preparedness. New environmental regulation and decarbonisation of shipping were added to the list of issues in 2019, with pandemics joining for 2020.

The economic implications of the pandemic lie behind the jump in respondents' views on the likelihood of global economic crisis, from number 10 in 2019 to number 2.

The same factor lies behind the downgrading of the likelihood of fuel price increases, from number 7 to number 11, as the pandemic has depressed demand.

Respondents showed their concern that the pandemic would increase geopolitical tension and drive changes to trading patterns. It also made it more likely that societal demands for sustainable shipping would grow.

Besides stressing the pandemic's impact on economic crisis, respondents commented they believed it would escalate conflict between the US and China, increase regionalisation while diminishing dependence on China, and reduce access to finance which might push companies into bankruptcy or encourage consolidation.

While a recurrence of pandemics ranked low in the list of events most likely to happen, the report's authors expressed caution.

"Respondents placed pandemics third for impact, and at the bottom for preparedness. On likelihood, although it ranked as likely to occur, it sits in tenth place compared to other issues," it said.

"The middle-of-the-pack ranking for likelihood should flash a warning, some experts said, adding that it is critical for the maritime industry to learn from [the pandemic]."

Professor Ian Goldin of the University of Oxford commented that there is a significant risk of another pandemic. "The root causes of the current pandemic have not been stopped," he said. "Far from the World Health Organization and other organisations that are vital to stopping future pandemics being reinforced, they are being undermined."

The Maritime Issues Monitor was released by the Global Maritime Forum together with Marsh JLT Specialty, and the International Union of Marine Insurance.

WHAT TO WATCH

Euronav chief backs 'gradual' carbon levy

A CARBON levy on fuels for shipping should increase gradually to ensure it is successful, according to the head of one of the largest crude oil tanker companies.

Euronav chief executive Hugo De Stoop sees a carbon levy on ships as a future enabler of shipping's green transition, which will require trillions of dollars in spending on new technologies and fuels.

"I think everyone agrees that if you want a level playing field you need a carbon levy," Mr De Stoop said in an interview.

He warned that if the levy was a tax whose revenues were spent outside of the shipping sector, it would likely be ineffective in achieving its original goal as it would mean there was less money available to spend.

The funds from a carbon levy should instead be kept within the sector and help power shipping's green transition, particularly helping to accelerate the development of the necessary infrastructure.

Commodity trader Trafigura last week proposed that the International Maritime Organization impose a levy of between $250 and $300 per tonne of $CO2$ equivalent based on a carbon intensity baseline that experts would develop for this purpose.

Mr De Stoop praised Trafigura, a major tanker charterer, for the initiative and said he hoped that the discussion over this proposal would not be dragged out for years to come.

He said that aside from having all companies follow the same rules, it was equally important to apply a carbon levy gradually and not to immediately demand the maximum level.

"That is very, very bad for the transition" on imposing an upfront high carbon levy, he said.

An inflated levy would be very hard for regulators to agree on and would likely end up being dismissed, according to Mr De Stoop. Starting at a lower point with an agreed formula for the future- such as doubling the levy each year- is likely to be better received.

"You want to have the least degree of resistance in the beginning. But you want to have a path which is very clear where people know what they will get in 10 years so people can adapt," he said.

Pushing for a $300 levy from the start would face such a high degree of resistance that it would be unlikely to be implemented, Mr De Stoop added.

Euronav, which trades in the New York and Brussels public markets, is one of the leading members of the Global Maritime Forum, the international non-governmental organisation that has been behind some of the most significant decarbonisation initiatives of the past couple of years.

The company has been disclosing its annual greenhouse gas emissions since 2017. Its 2019 scope 1 emissions, those coming directly from its ships, amounted to 3.13m tonnes of CO_2 equivalent.

Mr De Stoop acknowledged that unlike a few other major shipping companies with a strong voice in the environmental arena, Euronav has not committed to a decarbonisation target.

"It would be so easy for me to say that by 2050 we will be carbon-neutral," he said.

That pledge, though, would likely be hollow, as Mr De Stoop does not expect to be there in 30 years' time to assume responsibility for it and it would not have to come with a roadmap today demonstrating how Euronav plans to get there.

Euronav is formulating a decarbonisation plan for the next decade, focused especially on how it plans to meet the IMO's target of reducing carbon intensity by at least 40% by 2030. He expects that plan to be finalised by the end of this year.

The company is also this year under review by CDP, a UK-based NGO that runs a global "environmental disclosure system" and rates annually the environmental efforts of companies and cities.

Yet as a transporter of oil, Euronav, like other tanker companies, can also be looked down on as an enabler of climate change.

Mr De Stoop admitted that being a tanker company, there are times where Euronav are made to feel like "criminals".

People are too quick to judge, he argued, and overlook just how significant crude oil is for powering the world today.

"The more you treat those people as criminals, the more you will have criminals doing it," he said.

The notion that investors should shut the tanker market out completely, is "ridiculous" he warned, as oil will continue to be a key commodity for decades to come, he explained, even if global oil demand is projected to decline.

Investors should instead be selective in choosing which tanker companies they back, Mr De Stoop said.

"That will be much, much more clever. You are accelerating the transition and making it as cheap as possible," he said.

India to surpass China as the world's largest LPG importer by 2030

LIQUEFIED petroleum gas demand in the residential sector in India will continue to see sustainable growth at a cumulative annual growth rate of 3.3%, reaching 34m tonnes in 2030, according to energy and commodity research agency Wood Mackenzie.

That highlights the country's dependence on imported gas, and the consequent growing employment opportunities it creates for LPG carriers.

The country has a major appetite for LPG as the Indian government has been implementing schemes to help lower income families cope with the cost of switching from dirtier biomass to gas.

Qiaoling Chen, a research analyst at the agency, said: "Assuming the government continues to subsidise residential LPG throughout the decade, total subsidy for LPG could reach US$5.7bn annually by 2030. By then, it will overtake China as the world's largest LPG demand centre for the residential sector."

Indian demand usually increases in October-November during a national festival driving imports in third quarter of the year.

However, given the high number of coronavirus cases in the country the increase is expected to be lower than usual as people are expected to avoid large gatherings and outdoor festivities.

Considering the market conditions, Poten expects Indian consumption to increase by 2% in 2020 and increase by 17% in the next five years compared with about 40% growth in the past five years.

Seaborne LPG imports is set to rise by 4% this year and a further 3% increase per year until 2025, Poten estimates.

Meanwhile, VLGC spot rates rose 4% week on week to $45,000 a day the past week, according to Cleaves research.

The LPG price differential between US and Far East currently supports a theoretical $56,000 per day time charter earnings, thus incentivising traders to go net long tonnage.

ANALYSIS

China bunker volume growth not hampered by pandemic

TOTAL'S marine fuel unit has set its sights on the strong growth of China's budding bunkering market, which has held up amid the pandemic-driven supply chain disruption.

"Chinese bunker volumes have picked up by 10%–15% this year in the Ningbo-Zhoushan area despite the pandemic," said Total Marine Fuels Global Solutions business development director Jesper Rosenkrans.

"This trend of a strong and growing bunker market at Ningbo-Zhoushan is likely to stay," Mr Rosenkrans told a panel discussion at bunkering event SIBCON 2020.

Total Marine Fuels Global Solutions has already entered Ningbo-Zhoushan bunker market together with its joint venture partner, Zhejiang Energy Group.

The joint venture named ZPMF has already started delivering bunkers out of the vicinity of Zhoushan port, which has previously indicated the intent to go after Singapore's top billing as the world's busiest ship refuelling hub.

"Singapore's marine fuel sales have stayed robust even as there were significant decreases seen in demand from certain parts of the world," said Mr Rosenkrans.

One SIBCON speaker noted diversion of marine traffic following a second wave of the pandemic in Hong Kong as potentially boosting bunker sales in Singapore and Ningbo-Zhoushan.

Mr Rosenkrans also flagged one significant impetus for the green shipping movement stemming from the pandemic.

"Interest in liquefied natural gas as a cleaner burning marine fuel has picked up significantly," he said.

As one of two notable supermajors to have backed LNG's development as a marine fuel, Total was unveiled in April as the charterer of two, LNG dual-fuel, very large crude carriers scheduled to join AET's fleet from early 2022.

Total will supply LNG as marine fuel to CMA CGM's series of LNG-fuelled mega container ships, the first of which was recently delivered to the French shipowner.

Hapag-Lloyd, a second top-five containership operator, has gone ahead with the conversion of its ocean-going, Sajir, which can run on LNG when it re-enters service early next year.

Hapag-Lloyd has an exclusive LNG bunker supply contract with Shell.

MARKETS

Okeanis chief does not see LNG as long-term fuel solution

THE head of Okeanis Eco Tankers says he does not believe that using liquefied natural gas as a fuel is a long-term solution for shipping to cut emissions.

"There will be gradual changes in technology, but I don't think LNG-fuelled ships will become the norm as the cost of dual-fuel propulsion is very significant," Ioannis Alafouzos told a Marine Money Greek-focused virtual event.

In addition, there is a "big issue" with LNG because of methane slip, which is far greater than carbon dioxide emissions, he said.

Instead, Mr Alafouzos, who began in the shipping industry in 1981 following in his father's footsteps, sees traditional diesel engines becoming more efficient, requiring less power for propulsion.

The company has 17 eco-design, scrubber-fitted tankers in its fleet. All the ships have ballast water treatment systems.

Modern, eco-friendly ships are favoured by charterers even though they carry a $10,000 per day premium over other vessels, the chief executive said.

As the world becomes more focused on the environment, with renewable energy increasingly used for electricity, oil will become less important with peak oil likely in 2030, he said.

While acknowledging that oil was still needed for production of gasoline, diesel and plastics, everyone had a role to play in taking care of the environment, Mr Alafouzos said. To that effect, he is part of a project that has planted 4m trees across Greece.

With peak oil in sight, he said: "We have to adapt — our industry will have to become smaller."

Financing is becoming equally green, with lower-emission ships attracting investment.

Mr Alafouzos chose Oslo for his company's Merkur market listing in 2018 because it has a "very educated shipping community" based there.

Norwegian banks had approached him when they saw that he was ordering new eco tankers, he explained.

In addition, his company is medium sized in Norway, whereas it would have been "small" by US standards, he said.

Boxship sector takes first steps towards ammonia use as fuel

A COLLABORATION between Lloyd's Register, Daewoo Shipbuilding & Marine Engineering and MAN Energy Solutions has resulted in the approval in principle of a design for an ammonia-fuelled 23,000 teu containership.

DSME developed the basic design of the ammonia propulsion system and MAN Energy Solutions was responsible for the development and specifications of the ammonia dual-fuel propulsion engine.

Lloyd's Register reviewed the suitability and risks of the design which involved a hazard identification, a hazard and operability analysis workshop, and a design review in accordance with the approval of risk-based design process.

A second phase will involve further development of the design for meeting market demand in terms of commercial viability as well as technical and safety maturity, Lloyd's Register said.

DSME vice-president Odin Kwon said that designing an ammonia-fuelled containership was more complicated than other ship types because of the nature of the ammonia fuel tanks being installed in an enclosed space.

"The successful results from the joint application in principle can easily be applied to other types of vessels such as tankers, bulk carriers and gas carriers," he said. "We now just await the delivery of the ammonia-fuelled engine from MAN."

MAN vice-president Bjarne Foldager said that ammonia was a fuel "with a lot of potential" and added that the containership concept was an important step towards decarbonising the maritime sector.

IN OTHER NEWS

Suez casualty ruling hailed as victory for common sense

THE High Court judgment that Greek-owned bulker *Panamax Alexander* was wholly responsible for a multiple ship pile-up that closed the Suez Canal has been hailed as victory for common sense by a leading law firm.

In a complicated ruling on three separate cases handed down this week, Mr Justice Teare found that *Panamax Alexander* was 100% to blame for the casualty.

By failing to appreciate the risk of collision, and so failing to moor in sufficient time to avoid the collision, the vessel was in causative breach of Rules 5, 7 and 8 of the International Collision Regulations, widely known in the industry as the "colregs".

Equatorial launches new digital bunkering tool

SINGAPORE'S top licensed physical bunker supplier Equatorial Marine Fuel is using digitalisation to boost transparency and lift the efficiency of its bunkering operations, launching one of Singapore's first real-time bunkering tools.

The tool, dubbed OTT, will enable its shipping clients to receive links allowing them to track in real time, the delivery of bunkers supplied by Equatorial Marine Fuel.

Each link provides key data including ordered and delivered bunker quantity, estimated and actual time at which an assigned bunker barge will come alongside the receiving vessel and bunker transfer speed.

MSC eyes hydrogen for zero-carbon fuel source

MEDITERRANEAN Shipping Co has called for collaboration in the development of future fuels as it trials biofuels and puts its weight behind hydrogen as the energy source to achieve shipping decarbonisation .

"There's no one single solution to decarbonise shipping; we need a range of alternative fuels at scale and we need them urgently," vice-president Bud Darr told the Maritime Transport Efficiency conference in Geneva.

"The future of shipping and decarbonisation will rely on strong partnerships from both the perspective of technology collaboration and procurement."

Antwerp receives EU funding for port carbon capture

THE Port of Antwerp will receive European Union funding to study ways to transport CO2 for carbon capture and storage.

The port and a group of six chemical and energy companies were granted €9m ($10.6m) to study the feasibility of carrying CO2 from Antwerp to Rotterdam by pipeline, and of liquefying and transporting carbon by ship to northwest Europe for storage.

"We are proud to receive the necessary financial support for the study phase as this project will contribute to the Flemish, Belgian and European climate goals and to the increased EU 2030 targets for emission reduction to at least 55%," Port of Antwerp chief executive Jacques Vandermeiren said in a statement.

PSA unit takes over control of Dammam

PSA INTERNATIONAL has taken over the management of King Abdulaziz Port Dammam's First Container Terminal to become the Saudi port's sole terminal operator.

The Singaporean group's takeover, through its Saudi Global Ports unit, sees longstanding tenant Hutchison Ports vacate the facility.

Saudi Arabia's Public Investment Fund holds a 51% stake in the unit, which started operating the port's Second Container Terminal in 2015.

Panama Canal sees flat volume growth due to pandemic

INCREASED demand for containership transits helped the Panama Canal break even in terms of tonnage volumes during its 2020 financial year, but other sectors showed the strain that the pandemic is having on global shipping.

The Panama Canal Authority reported an annual tonnage of 475.1m Panama Canal tonnes for the period ending September 30, an increase of 1% on the previous year. The number of transits fell 2% to 13,369.

It said its financial year had started well, with the first half exceeding expectations.

Singapore to boost LNG bunkering and digitalisation

THE biggest bunker industry event kicked off with an emphasis on decarbonisation and digitalisation, with Singapore senior transport minister Chee

Hong Tat pointing out in his opening speech at the 21st Singapore International Bunkering Conference and Exhibition that there were particular opportunities in these two areas.

Noting that despite the coronavirus pandemic and the impact of fluctuating oil prices, Singapore's bunker sector has held steady, and even saw bunker sales volume from January to August increase 5.3% from the previous corresponding period to 32.9m tonnes, Mr Chee nonetheless challenged the event's participants to re-envision the industry for the future.

"Continued growth notwithstanding, the sector needs to adapt and transform to ride out this crisis and emerge strong," he said, emphasising the three priority areas of quality, resilience and sustainability.

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