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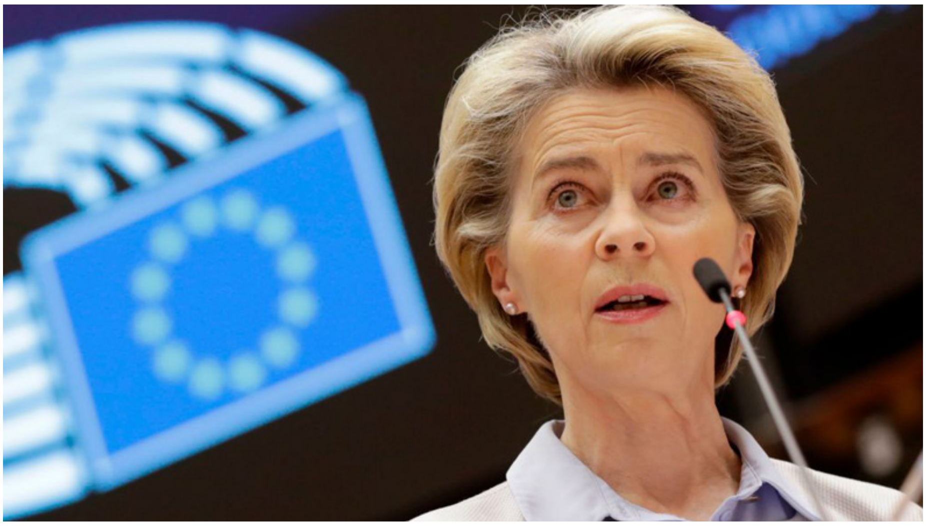
China's shipping groups criticise EU carbon trading scheme



MARITIME ASSOCIATIONS IN China have added to the criticism of European Union plans to include shipping in its carbon trading scheme.

The China Shipowners' Association, the China Association of the National Shipbuilding Industry and BIMCO held a seminar in Beijing to discuss the impact of the plans. Attendees included delegates from shipping companies, yards, financial institutions and classification societies.

A post-meeting statement said the EU's unilateral move would "break the multilateral framework widely supported by international community, lead to fragmented mechanism or measures which would adversely impact the convenience of marine transportation".

It was also suggested that Beijing should use bilateral diplomacy to influence Brussels' decision on the issue.

The European Commission and the European Parliament are showing strong will to push forward the Emissions Trading System expansion to cover vessels calling at the EU's ports.

Critics said the plan would complicate shipping's decarbonisation efforts and challenge the International Maritime Organization's leadership on the agenda.

The EU's intrusion into the IMO's emission-reduction mandate "is not conducive to the control of global [greenhouse gas] emissions, and it is difficult to evaluate the overall reduction progress and difficult to figure out the subsequent follow-up arrangements", the statement said.

It added that a carbon pricing idea proposed by the European governments in relation to shipping may also put financial pressure on supply chain stakeholders and dampen their enthusiasm to trim emissions.

"A regional initiative from Brussels cannot drive the necessary changes the shipping industry was confronted with to meet the IMO strategy. It was important to understand what ETS will entail," said Lars Robert Pedersen, deputy secretary-general of BIMCO.

BIMCO's head of Asia, Zhuang Wei, called on the Chinese shipping community to take a collective and clear stance against the EU's "long-arm jurisdiction" and help defend the interests of the global maritime sector.

"We are of the view that an EU inclusion of shipping into its ETS will be more about creating revenue for the bloc rather than cutting emissions," Mr Zhuang told Lloyd's List. "It will significantly increase the EU-related shipping and trade costs."

The statement, nevertheless, welcomed initiatives to promote "a global shipping carbon tax market trading system", which should be based on the "no difference" principle and in line with the existing IMO roadmap.

It also suggested the Chinese government could include the carbon trading issues into the China-EU bilateral trade negotiations.

While China has not defined its position on the EU's carbon market scheme targeting shipping, Japan and South Korea last week told the European Commission it should scrap such an attempt.

The two nations said the scheme could potentially undermine shipping's decarbonisation progress on the global stage, cause market distortion and even fail to reduce emissions.

WHAT TO WATCH

Vehicle carrier deliveries to drop in coming years

JUST 18 ships with a capacity of less than 100,000 ceu are in the current vehicle carrier orderbook as of November 2020, according to the latest update to the Lloyd's List Shipbuilding Outlook.

The delivery of carriers will be extraordinarily low in the next five years with a forecast for only 39 ships to be delivered, which is less than half of the figures from 2015-2019 both measured in numbers and in capacity, Lloyd's List Intelligence said.

There are currently 156 vehicle carriers built before the year 2000 in the fleet. Together they have a capacity of 455,000 ceu or 12% of the current fleet.

Some of these will be removed in the 2020-2024 period since they will have become too old.

In 2020-2024, 70 vehicle carriers are forecast to be removed from the fleet, which is six ships less than in 2015-2019.

These 70 ships have a capacity of 278,000 ceu, which is 9% less than in the previous five years.

The Lloyd's List Intelligence forecast for new contracts in 2020-2024 is also low, due to uncertain times within the industry as a result of the economic impacts of the coronavirus pandemic.

Only 55 new ships are forecast to be ordered, nine less than in 2015-2019.

Meanwhile, the cargo ro-ro fleet stands at 1.97m lane metres in November 2020, spread over 1,208 units.

Up until 2008, there was consistent growth seen in the total fleet size for the cargo ro-ro fleet but the great recession year of 2009 hit the sector very hard and the fleet then decreased in size until 2014.

After three years with virtually no fleet change, it started to grow again in 2018. In 2020-2024, the fleet is forecast to continue to grow, mostly due to the large orderbook.

There are currently 74 carriers in the orderbook or 6%, but these ships have a combined capacity of 321,000 lane metres, which is 22% of the fleet in capacity terms.

Due to the large orderbook, deliveries are set to be strong in 2020-2024 at 400,000 lane metres, an increase by 70% compared with 2015-2019. In numbers terms, deliveries are forecast at 113, which is 36 more than in the previous five years.

There are still many old ships in the ro-ro fleet, with some 747 of the 1,208 carriers were built before 2000. Some 631 of those are smaller than 2,000 lane metres.

This has driven up the Lloyd's List Intelligence forecast for removals.

The removal forecast stands at 185 ships until year-end 2024. This is 100 ships more than in 2015-2019. Most of the ships will be small, so the removed capacity will only increase by 30%.

The new contract forecast for the 2020-2024 period stands at 63 (131 lm), whereof 30 will be large and 33 smaller ones. This is 50% fewer orders than in the previous five years.

Questions after 1,900 containers lost from ONE boxship

THE investigation into the loss of containers from Ocean Network Express' *ONE Apus* will be seeking answers into what is likely to be the largest loss of boxes in a single event that did not involve a fire or sinking.

Up to 1,900 containers are thought to have been lost from the 2019-built, 14,026 teu *ONE Apus* when it was caught in severe weather conditions about 1,600 miles northwest of Hawaii.

The vessel, which was en route from Yantian to Long Beach, has now turned back to seek safe harbour in Japan in order to assess the damage and determine the exact number of boxes lost.

While details of the casualty remain sketchy, if the number of containers lost overboard is anywhere near the 1,900 figure announced by the shipmanager, NYK Shipmanagement, it will be the largest loss of containers from a weather-related event outside of a sinking or fire on board.

While the loss of *MOL Comfort* in 2013 and the fire on *Maersk Honam* in 2018 led to more boxes being lost, it is not since 2014, when *Svendborg Maersk* lost over 500 containers during a storm in the Bay of Biscay, that so many have been lost due to weather.

Even if the final number of lost containers is smaller, questions will need to be asked as to how a large, modern containership, less than a year old, could suffer damage to that many containers.

On a very basic calculation, assuming the boxes were all 40 ft containers, those damaged or lost would have represented nearly a third of the ship's entire cargo.

According to one insurance industry source, using an industry average of a 40/60 split between 20 ft and 40 ft containers, the loss or damage could have affected around 55% of the deck stow on the basis of a fully loaded ship.

"Whatever way this is viewed, initial reports would certainly indicate a dramatic failure of the deck stow," he said.

Initial reports of a rapidly developing low pressure system that may not have been forecast in weather routing may have played a part, but weather charts indicate conditions of Force 8-9, which should have been manageable by a ship this size.

"Regardless of how unexpected the conditions, investigators will no doubt focus on the lashing system used — fully automatic locks or semi-automatic twist locks — as well as lashing calculations and load plan," the insurance source said.

The loss of containers overboard had been decreasing in recent years, according to figures from container sector lobby group, the World Shipping Council.

Figures collated from its container line members indicated that the average number of containers lost overboard each year in the three years to 2020 was just 779.

As well as the logistical issues of removing damaged containers from the vessel and transhipping the undamaged cargo, insurers will be facing loss claims from beneficial cargo owners for the lost or damaged containers. This is likely to be in the tens of millions of dollars range at least.

As well as cargo shipped with ONE, the vessel would have also been carrying containers from its The Alliance partners Hapag-Lloyd, Yang Ming and HMM.

In their latest update on the casualty, shipowner Chidori Ship Holding and manager NYK

Shipmanagement said *ONE Apus* was due in Kobe, Japan on December 8

"The priority remains on getting the vessel and crew safely to port," the companies said.

"Once berthed, it's expected to take some time to offload the dislodged containers that remain on board. Then a thorough assessment will be made on the exact number and type of containers that have been lost or damaged."

They added that a full investigation would be conducted in conjunction with the flag state, Japan, and the relevant maritime authorities when the vessel was in port and deemed safe.

OPINION

Greek Shipping Awards: What's all the commotion about?

WE DON'T want to give away any spoilers, but there is one traditional feature of the annual Lloyd's List Greek Shipping Awards that is most unlikely to be preserved in the first virtual rendering of the event, streaming this Friday.

That is the noise that comes from putting 1,200 people into an Athens hotel ballroom, enabling them to exchange views about business or just catch up with old friends on the cusp of the Christmas season.

That – probably — is not going to happen in this year's online incarnation of one of international shipping's most popular events.

The noise levels – which over the years have often dipped mysteriously for especially respected speakers – are at one and the same time the most frequent complaint about the night as well as a signifier that guests are having a good time.

Either way, the Virtual Greek Shipping Awards 2020 offers the chance to pour a drink (depending on your time zone), turn up the volume and not miss a word!

In going digital due to the prohibition on social gatherings, the aim has been to preserve as many of the traditional elements of the annual gathering as possible.

And, yes, that will include beloved ingredients of live awards events such as sartorial extravagance, the occasional dress mishap and cheesy humour.

But for us the highlights of the Lloyd's List Greek Shipping Awards year after year have been the speeches. It is always fascinating to hear what industry personalities choose to say during their moment in the limelight, and of course that is especially true of the winners.

It is fairly safe to predict that among the issues likely to be highlighted by the 18 Awards to be presented during the event on Friday evening are the industry's battle against the effects of the coronavirus pandemic and shipping's quest for energy efficiency and sustainability.

No national shipping community is more exposed to international trading conditions than Greece's, by virtue of its size and cross-trading character.

About 99% of the Greek-owned fleet's capacity is operating outside Greece at any given time, although the awards event does not forget the country's strategic passenger line business that is focused mainly on home waters.

We received nominations for 200 different individuals and entities for this year's Awards, underlining the strength and depth of the maritime industries in Greece.

They were adjudicated by a panel of esteemed judges broadly representing Greek shipping.

One of these, Hellenic Chamber of Shipping president George D. Pateras, voiced his regrets about the lack of an-person dinner event this week.

"For me the Awards are a really great networking event," he said. "It's always a very classy, up-market get-together and it's something that people look forward to, and it's also a good opportunity to get a table for staff."

At the same time, though, he expressed trust in some of the other strengths of the event holding good for the 2020 virtual edition, especially the credibility of the Greek Shipping Awards scheme.

"Getting one of the awards does mean something and it's a very proud moment for everybody who gets an award," Mr Pateras said.

"The awards are very fairly distributed — which is refreshing. It's not the case in all awards events," he said.

"Recognition by your peers is greater than recognition by any single body, but of course the Greek Shipping Awards combines both. The judging format combines recognition by Lloyd's List with recognition by the industry."

Eleni Polychronopoulou, who also served on this year's judging panel as president of Hemexpo, the association of Hellenic Marine Equipment Manufacturers & Exporters, said the Greek Shipping Awards is viewed by many in the industry "like Thanksgiving" every year.

"At some stage it became a MUST to attend, not only socially for networking purposes, but to get the vibes and listen to people, especially when you have the chance to see them in a happy and relaxed mood.

"At the Awards you get to see everyone and can feel thankful that you are in this industry, that you are leaving your own little footprint in this great structure."

Ms Polychronopoulou has been up on stage twice as a winner — once in 2013 when her company Erma First won the Technical Achievement Award for its ballast water treatment system and again in 2016 when Hemexpo was selected for the Piraeus International Centre Award, rewarding contributions to Greece as a maritime centre.

"It was a tremendous thing for us both times," she said. For the company, it reinforced market trust in what was a relatively new product, while for the country's marine equipment manufacturers it provided a timely boost. "The sector badly needed recognition and support," she said.

According to Ms Polychronopoulou, a Greek Shipping Award always gives "great encouragement" to winners. While that may seem sometimes more important for service organisations, she shared the perception, gathered over years of attending the event, that this also goes for major shipowners who have won one of the awards.

The Virtual Greek Shipping Awards have not lacked support despite the decision to reimagine them digitally. This year's event has a full portfolio of prestigious sponsors from both Greece and abroad, led once again by lead event sponsor ClassNK.

The 2020 Lloyd's List Greek Shipping Awards are streaming online on December 4 at 1830 hrs Athens time at www.lloydslist.com and www.greekshippingawards.gr

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ANALYSIS

Pandemic stalls energy efficiency gains

THE health crisis has stalled global improvements in energy efficiency, the International Energy Agency said in a report.

Energy intensity will improve by 0.8% in 2020, the slowest pace since 2010. The report said this was well below the required level to achieve global climate and sustainability goals.

Changing consumer patterns of energy consumption and efficiency for transport will be closely watched to determine any medium-term effect on seaborne demand for refined products as well as crude.

The agency said investments in energy-efficient vehicles, as well as buildings and equipment would decline in 2020 with a 10% fall in new car sales keeping stock older and less efficient.

However, the share of electric car sales would grow to 3.2% from 2.5% in 2019, the IEA report said.

Travel restrictions and lockdowns reduced urban and long-distance transport with changes in aviation and rail loads increasing energy use per passenger.

Aviation travel fell by 60% in 2020 and rail demand by 30%, the report showed.

"Transport sector energy consumption is projected to fall by 10% in 2020 compared with 2019, including an 11% drop in oil consumption of around 6m barrels a day.

"This accounts for around two-thirds of the total expected decline in global oil demand in 2020," the IEA said.

"It is uncertain if behaviours that may be positive for energy efficiency will persist when the crisis passes, but in the absence of targeted government policies, a return to pre-pandemic behaviours is likely.

"The unprecedented drop in aviation transport demand could change the energy intensity of international travel and freight forever, depending on how the aviation industry recovers after the pandemic.

"Increased rates of teleworking are changing the way we move around cities. Such changes could reduce energy intensity in some instances but increase it in others."

Stimulus packages provide some $66bn in funding for energy efficiency-related measures, with $26bn allocated to the buildings sector and $20bn for electric vehicles, mainly directed at charging infrastructure.

The IEA signalled that if oil prices stayed low, this might delay or discourage shipowners from shifting to alternative fuels and operational measures that reduced consumption.

This would affect the use of lower-carbon alternative fuels including liquefied natural gas in the near term, and biofuels, hydrogen and ammonia in the longer term.

More than 40% of the reduction in energy-related greenhouse gas emissions over the next 20 years to meet targets are achieved through gains in efficiencies, based on IEA analysis.

Biden likely to maintain tariffs on China, but Iran sanctions may end

THE incoming administration of president-elect Joe Biden has no immediate plans to remove the 25% tariffs currently imposed on China, but would lift sanctions on Iran if the Islamic Republic returns to "strict compliance with the nuclear deal."

Mr Biden also said he would not lift the Phase 1 agreement President Donald Trump signed that requires China to purchase some $200bn in additional US goods and services during the period 2020 and 2021.

"I'm not going to make any immediate moves, and the same applies to the tariffs," he told the New York Times. "I'm not going to prejudice my options."

He first wants to conduct a full review of the existing agreement with China and consult with our traditional allies in Asia and Europe, he said, "so we can develop a coherent strategy."

"The best China strategy, I think, is one which gets every one of our — or at least what used to be our — allies on the same page. It's going to be a major priority for me in the opening weeks of my presidency to try to get us back on the same page with our allies."

Mr Biden said his "goal would be to pursue trade policies that actually produce progress on China's abusive practices — that's stealing intellectual property, dumping products, illegal subsidies to corporations" and forcing "tech transfers" from American companies to their Chinese counterparts.

The president-elect stressed that dealing with China is all about "leverage" and "in my view we don't have it yet."

He said that one way to create more leverage is to better compete with China by developing a bipartisan consensus in the US for large-scale government-led investments in American research and development, infrastructure and education.

"I want to make sure we're going to fight like hell by investing in America first," Mr Biden said. "I'm not going to enter any new trade agreement with anybody until we have made major investments here at home and in our workers" and in education, he said.

He also reaffirmed his earlier statements regarding the nuclear agreement with Iran and the lifting of sanctions, saying "it's going to be hard, but yeah."

In September, Mr Biden wrote that "if Iran returns to strict compliance with the nuclear deal, the United States would rejoin the agreement as a starting point for follow-on negotiations", and lift the sanctions on Iran imposed by President Trump.

That is something the Iranians would like to see. Last month, Iran's foreign minister Javad Zarif said that a return to full implementation by the US and Iran can be "done automatically" and "needs no negotiations."

The nuclear deal was signed in 2015. Mr Trump withdrew from it unilaterally in May 2018, and reimposed crippling oil sanctions on Iran, claiming it was a bad deal to begin with and that Iran was cheating.

Mr Biden and his national security team believe that once the nuclear deal is restored by both sides, there will have to be negotiations to increase the duration of the restrictions on Iran's production of fissile material that could be used to make a bomb.

Ideally, the Biden team would like to see that follow-on negotiation include Iran's Arab neighbours, particularly Saudi Arabia and the United Arab Emirates in addition to the original signatories to the deal — Iran, the US, Russia, China, Britain, France, Germany and the European Union.

Mr Biden's team is aware of Iran's exports of precision-guided missiles to its allies in Lebanon, Syria, Yemen and Iraq, where they threaten Israel and several Arab states. But the team's main aim is to get Iran's nuclear programme back under control and fully inspected.

In their view, Iran's development of a nuclear weapon poses a direct national security threat to the US and to the global nuclear weapons control regime, the Treaty on the Non-Proliferation of Nuclear Weapons.

"Look, there's a lot of talk about precision missiles and all range of other things that are destabilising the region," Mr Biden said. But the fact is, "the best way to achieve getting some stability in the region" is to deal "with the nuclear programme."

If Iran gets a nuclear bomb, he added, it puts enormous pressure on the Saudis, Turkey, Egypt and others to get nuclear weapons themselves. "And the last goddamn thing we need in that part of the world is a build-up of nuclear capability."

"In consultation with our allies and partners, we're going to engage in negotiations and follow-on agreements to tighten and lengthen Iran's nuclear constraints, as well as address the missile programme."

The US always has the option to snap back sanctions if need be, and Iran knows that, Mr Biden said.

MARKETS

Avance Gas confident of sustained market strength in 2021

AVANCE Gas, an owner of very large gas carriers for transporting liquefied petroleum gas, says it feels confident for 2021, given the recent rise in spot rates.

On an Arctic Securities webinar, the company's chief commercial officer Ben Martin said the improvement in rates can be attributed to inefficiencies in the fleet. Delays through the Panama Canal, as well as discharge ports in India and China because of coronavirus-related logistical issues leant support to the VLGC market.

Higher US exports also "stretches a relatively small fleet" and drags rates up, he said, adding that Avance will keep its vessels in the spot market on account of its strength, despite a seasonal downturn expected in the second quarter of next year.

Given that US production and exports are increasing, the Energy Information Administration, which estimates a 5% fall next year, will need to revise up its figures, Mr Martin said.

In October, 76 cargoes were booked, with "continued high activity levels" reported for November, according to the company. That compares with 68 cargoes in July, 65 in August, and 58 in September.

This quarter, the Oslo-based company's time charter equivalent earnings are in the region of $40,000 per day. That is higher than the $31,500 per day achieved in the previous three months, but some cover for the first three months of next year has been agreed at $30,000 per day.

"While Covid-19 had a dampening effect on demand, we remain positive that LPG will continue to flow and the market will stay positive in the fourth quarter and into 2021, driven by Chinese PDH (propane dehydrogenation) and Asia retail demand growth, where India is a significant contributor," it said in an earnings statement last month.

Added to the supportive factors are a tightening fleet supply in 2021 as an estimated 70 carriers enter drydock, Mr Martin said, adding that some 21 ships could be heading to the shipbreakers given their age.

"The supply side is favourable and it's exciting to be an LPG carrier owner right now," he added. LPG also has green credentials, he pointed out.

Chief financial officer Randi Bekkelund said that its expected vessel earnings are now comfortably above operating cost levels, which are seen normalising to the $8,000 per day mark following a change in technical management.

The change was a group-wide decision, which was expected to lower operating costs, she said.

Avance Gas, which has yet to appoint a new chief executive following the departure of Ulrik Andersen, who joined sister company Golden Ocean earlier in the year, is part of John Fredriksen's Seatankers Group. Interim head Peder Simonsen also left to join Golden Ocean in September.

Given the healthy outlook for the VLGC market, the company may get dividends "back on the agenda", Ms Bekkelund said on the webinar.

Shipowners' Club reveals first deductibles increase in two decades

SHIPOWNERS' Club has said it will seek a 5% general increase, inclusive of any adjustment for reinsurance premiums, at the next renewal round.

There will also be a 10% increase in all deductibles under $50,000, with a minimum increase of $500 for deductibles currently under $5,000, it said in a statement.

That in itself marks a break with past practice, as in some cases deductibles have remained static for the last 20 years.

The moves come after the small craft specialist's chief executive Simon Swallow warned earlier this year that a price hike would probably be necessary, after the International Group affiliate booked a $10.3m underwriting loss for 2019, pushing its combined ratio out to 105%.

However, Shipowners' rate hike places it at the lower end of the spectrum for the 2020-21 policy year, which runs from 5% at Steamship and the American Club to 7.5% at West to 10% at Standard, London, the UK Club and North.

In addition, two clubs have said they will seek additional premiums via ship-by-ship pricing, with Gard aiming between 2.5%-5%. Britannia has confirmed that it is seeking high single digits in terms of percentage points.

The basic case is the real-terms erosion of rate levels over a number of years, combined with falling investment returns in a period in which markets were spooked by coronavirus, which will see free reserves take a hit.

There has also been spate of major casualties that has seen pool claims for the first six months of the current year hit an all-time high.

According to the circular, Shipowners' came in with an interim underwriting deficit of $2.2m at the 2020 half-year stage, giving a combined ratio of 102.2%, which is described as in line with expectations at a time of global pandemic.

While reduced vessel operations produced a lower incident of claims overall, there were some sizeable claims as a result of Covid-19 outbreaks on board vessels.

Investment returns were described as positive, but market returns have been so volatile that they cannot be relied upon to offset any underwriting shortfall.

Continued growth in member numbers, vessels entered and total tonnage was also noted.

IN OTHER NEWS

Celsius Shipping bags trio of LNG charters from Cheniere

DENMARK'S Celsius Shipping has secured charters for three liquefied natural gas carriers under construction from the marketing arm of US-based project developer Cheniere Energy.

They will begin charters with Cheniere Marketing on their delivery from the yard in 2021, the Danish shipowner said in a statement.

The time charter period is up to 13.5 years for each carrier. The three tankers are part of a quartet commissioned with South Korea's Samsung Heavy Industries in 2018.

Trafigura invests in green hydrogen firm

TRAFIGURA, the commodity trader, will invest $62m in Swiss green hydrogen maker H2 Energy.

Zurich-based H2 Energy makes renewable, or green hydrogen by electrolysis — splitting oxygen and hydrogen molecules from water. Its projects include hydrogen filling stations and fuel cells for cars and boats.

Trafigura said it would inject $20m in capital to help develop, store and distribute green hydrogen for refuelling stations and industrial customers.

Maersk Tankers takes in four Xihe product tankers

MAERSK Tankers said it is taking over the management of four Xihe Holdings product tankers.

The Danish company, led by Christian Ingerslev, announced it will add Xihe three medium range tankers and one 9,500 dwt tanker to its commercial pools.

"This new deal is in line with the company's strategy of building scale through partnerships driven by the use of digitalisation to cut CO2 emissions and boost partner returns," it said in a statement.

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