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Markets will drive environmental change ahead of regulators

MARKET STANDARDS AND norms around expectations will pave the way for global regulatory development, shipping has been told.

Sturla Henriksen, special ocean adviser to the United Nations Global Compact and former chief executive of the Norwegian Shipowners' Association, said business is in many ways ahead of regulation when it comes to environmental expectations, with financial markets already rewarding those companies with "greener" solutions.

At the same time charterers, consumers and society at large have greater demands for sustainability and transparency of the supply chain.

"This is about business risk and reputational risks increasing for those companies who are not part of the solution, not on the right part of history. This I think is a very important part going forward," he told a virtual panel discussion at the launch of the Lloyd's Register maritime decarbonisation hub.

Mr Henriksen said that while he is a staunch proponent of the International Maritime Organization and that global agreements are necessary to tie together an industry as "footloose" as shipping, the common denominator the IMO member states' decisions yield is too low to combat decarbonisation and the IMO often implements them too slowly.

MISC Group chief executive Yang Chien Yee said that for his company whose fleet is powered by fossil fuels and carries fossil fuels, the energy transition poses a double risk. But waiting on the sidelines would be dangerous.

"Our motivation as a shipowner is to try to do something, to try to act," he told the panel.

Panellists at the event agreed that the maritime sector will not keep a uniform pace in decarbonisation efforts. Some believe this diversity needs to be embraced.

"I think there is an expectation we will all move together. I think we must break that expectation. We will not all move together," LR marine and offshore global head of sustainability Katharine Palmer.

Ms Palmer argued that industry should use its fragmentation its advantage, where the first movers could collaborate and bring the cost down, demonstrating that there is a business case that would enable the second wave.

International Association of Ports and Harbors managing director Patrick Verhoeven said the containership industry could take the mantle in the development of the zero-carbon market because of its highly concentrated nature, the relatively limited number of actors and bunkering hubs.

"If we could bring those actors together — it's not a big group of people — and their governments and of course their suppliers, the fuel providers, the manufacturers and let them work out a solution for that market segment I think we could make a difference," said Mr Verhoeven.

OPINION

Top 10 in regulation in 2020

THE International Maritime Organization remains the most important player in maritime regulation; but the European Union's plans for shipping are making it increasingly more relevant.

01 / Kitack Lim, International Maritime Organization

Disruptions this year made the need for global leadership and cohesion all too clear.

Amid the coronavirus pandemic that left hundreds of thousands of seafarers stranded at sea, International Maritime Organization secretary-general Kitack Lim tried to resolve the problem, applying pressure on governments to help with crew changes and repatriation. The crisis continues today.

In relatively more mundane matters, the IMO approved short-term greenhouse gas measures to cut emissions, an important early step for its initial strategy that will affect energy efficiency and carbon intensity of the fleet. The measures will likely be adopted in mid-2021.

In 2021, Mr Lim will not only have to continue the push to end the crewing crisis, but he will also need to ensure the organisation continues with its decarbonisation work at a rapid pace, while maintaining the fragile balances that exist among the different interests in this process.

02 / Ursula von der Leyen, European Commission and Jutta Paulus, European Parliament

The European Union's intentions to regulate shipping emissions have been evident for a long time. However, under European Commission president Ursula von der Leyen and the European Parliament through Greens MEP Jutta Paulus, that ambition looks greater and more within reach than it has ever been.

Ms von der Leyen's unequivocal declaration of intent to include shipping in the EU carbon market, the Emissions Trading System, and Ms Paulus's proposal for both changes to the EU's emissions data collection system, the Monitoring Reporting and Verification system, and shipping's inclusion in the ETS, will make it politically very difficult for the EU not to take action and impose measures that the industry has long feared and opposed.

Decisions coming out of Brussels in 2021 may be the most impactful yet; the commission will unveil its highly anticipated ETS plan, a task handled by commission vice-president Frans Timmermans, and the EU will also need to negotiate the European Parliament's MRV proposal. Shipping will be watching closely and talking loudly.

03 / Andrew J Weinschenk, Division for Counter Threat Finance and Sanctions

US sanctions against Iran and Venezuela continued to have crucial practical implications for the shipping industry, especially tanker companies, insurers, lawyers and flag registries.

Andrew Weinschenk, who took over after his predecessor David Peyman left the US Office of Foreign Assets Control in May — his official title is

Acting Deputy Assistant Secretary for Counter Threat Finance and Sanctions — oversaw policies that slashed exports of the two countries to levels not seen in decades.

It also saw certain shipowners that do business with them deploying subterfuge tactics to avoid detection; and it affected traditional shipping routes.

The lasting impacts of these policies in the grander scheme for the industry is the addition of more complex risk assessment, compliance, auditing and know-your-customer practices to avoid falling foul of Ofac.

It is unclear for how long these policies will last. The election of Joe Biden to the presidency could see a new approach from the US and the answers to these questions will rest with his decisions.

04 / Esben Poulsson, International Chamber of Shipping

The chairman of the largest shipowners' association has been a leading voice in the pressure on governments to help out with crew changes.

Esben Poulsson, who was reappointed at the International Chamber of Shipping in September, has been outspoken about shipping's humanitarian crisis and has sought partnerships with other industry associations, the International Maritime Organization, UN agencies and even the International Transport Workers' Federation.

The ICS is still one of the leading industry voices in the IMO and never one to sit out a regulatory debate. It was one of the co-sponsors of the new short-term greenhouse gas emissions measure that regulators approved in November 2020.

Under Mr Poulsson's watch, the ICS is also one of the organisations leading the charge for the mandatory $5bn research and development fund, which the IMO agreed to consider further in 2020.

The year 2021 could be one of ICS's most challenging as the crewing crisis rages on, there is ever-greater pressure on the IMO to move forward with stricter emissions measures and the European Union steams ahead with its Emissions Trading Scheme agenda.

05 / Sadan Kaptanoglu, BIMCO

BIMCO, the world's largest shipping association, is one of the most significant industry influencers in global regulations, building consensus among its members that are located across the world and have varying interests.

Under Sadan Kaptanolgu's presidency this year, it has been an important voice in the seafarer crisis; vocal supporter of the International Maritime Organization and opponent to the European Union's Emissions Trading Scheme; a co-sponsor of the $5bn R&D fund at the IMO; and a leading voice in shipping's calls over persistent piracy.

With its decision to open an office in London in early 2021, the organisation will be closer to the action at the IMO's headquarters at Albert Embankment.

Its contributions extend beyond the IMO. BIMCO's new sale and leaseback contract standard may end up serving as a template for many of the financing deals that emerge.

The year 2020 was eventful for the association internally, with the arrival of new secretary-general David Loosley following the departure of Angus Frew.

Ms Kaptanoglu's tenure as president will end in June 2021, when Sabrina Chao, the chairman of Wah Kwong Maritime Transport Holdings Limited, takes over.

06 / Green initiative

By now, shipping's regulators and lobbyists are perhaps getting used to the level of attention they are getting from environmental groups, activists and the general public.

It seems like every International Maritime Organization decision on emissions, every meeting and every proposal is under more scrutiny than ever before. Protests at the IMO headquarters — and this year even embassies — ahead or during environmental negotiations appear to be becoming the norm.

Environmental groups and Twitter activists are bringing more attention to the IMO's work and industry lobbies' environmental efforts than some would like, generating at times complaints that the industry is misrepresented or misunderstood.

Societal pressure is at the root of more commitments by governments, corporations and banks to combat climate change. Shipping is no exception.

The number of primarily European governments who expressed their disappointment with the levels of ambition in the new IMO short-term measure was indicative of the pressures those countries are under from their public.

When the world is paying attention, governments need to tailor their behaviours to their citizens' expectations.

With IMO talks inevitably heading to market-based measures and the European Union edging closer to negotiations for shipping's inclusion in its Emissions Trading Scheme, this scrutiny on the shipping industry will likely be greater than ever before in 2021.

07 / Ronald Widdows/Jeremy Nixon and Rolf Habben Jansen, World Shipping Council

As this list demonstrates, shipping bodies across the spectrum took to defending global uniform regulations yet again in 2020 against the European Union's aspirations — perhaps none, however, as elaborately as the World Shipping Council.

The WSC made the case against shipping's inclusion in the EU Emissions Trading Scheme and especially international voyages, marking the most aggressive effort to thwart that plan and sending a clear signal of how the liner shipping industry feels about the idea.

Under Ronald Widdows, who has served as chairman since 2008, and president and chief executive John Butler, the WSC has become the most important conduit for the liner industry, with regional regulators as well in the IMO.

It was among the originators of the $5bn industry R&D fund proposal that the IMO discussed in 2020.

Mr Widdows will step down at the end of the year. ONE chief executive Jeremy Nixon and Hapag-Lloyd chief executive Rolf Habben Jansen will take over as joint chairmen.

08 / Dimitris Fafalios, Intercargo

FOR the fragmented tramp shipping industry, navigating through an ever-politicised market can often seem like an uphill battle.

For Intercargo and its president Dimitris Fafalios, the list of priorities in 2020 was fairly extensive: the crewing crisis, bulker safety standards, global and regional regulations, to name but a few issues.

As ever, they made sure those interests were heard; Intercargo continued to speak out against the European Union's carbon market and, aside from just pushing for government action, it also put pressure on charterers and airlines to help out with crew changes and repatriations.

Intercargo will remain a core influencer in divisions in regulations in the future. In 2021, with the slew of decisions at stake at a global and regional level, Mr Fafalios and his secretariat may need to work harder than ever.

09 / Peter Stokes, Global Maritime Forum

The Global Maritime Forum is evolving from a collection of ambitious companies to one of the biggest drivers of change outside the shipping's key regulatory fora.

Peter Stokes is the chairman of the non-governmental organisation, which has taken a leading role in the formulation of initiatives such as the Sea Cargo Charter.

This could result in heightened and more granular levels of transparency and accountability on shipping emissions at a level not seen before.

Unlike the other associations on this list, the GMF has chosen not to become a member of the International Maritime Organization, a decision that means it does not have direct a say in regulations negotiations.

However, this also allows it not to follow the slow and steady approach that organisations in the IMO tend to take, while the calibre and weight of its partnering companies means the changes they usher into the industry will, in some ways, be reflected in regulatory discussions.

As corporations feel the need to respond to stakeholder pressures and take more action on initiatives, the GMF is set to be the outlet for those actions.

10 / Koichi Fujiwara, IACS

The ClassNK chairman has been at the helm of the International Association of Classification Societies since July 2020, taking over the customary one-year position under most unusual circumstances.

Amid the chaos brought on by the coronavirus pandemic, IACS is still the leading trusted technical authority within the International Maritime Organization, where it maintains its position as an apolitical body that helps guide regulators through the details of complex maritime regulations.

IACS has also had to adapt to conditions in 2020, working on extending statutory certificates amid yard and inspector restrictions and developing safer remote surveys, whose importance became clear during the year.

Mr Fujiwara has said the organisation will take the lessons from this period to improve its guidelines on remote surveys.

With the IMO's short-term measure approved, IACS expertise will come in handy in 2021 as regulators decide on carbon-intensity indicators and the moves to adoption and implementation.

The Top 10 in regulation list is compiled by the Lloyd's List editorial team and considers people in a position to influence large-scale change in shipping industry regulation or whose actions in regulation directly influence the industry.

Lloyd's List's Top 10 for various shipping sectors will be published in the lead-up to One Hundred People 2020, our annual ranking of the industry's most influential players, to be revealed on Friday.

MARKETS

Swedish Club announces 5% hike for P&I, 10% for FD&D

THE Swedish Club is looking for a 5% general increase at the next renewal round as "a move designed to improve the balance between claims and premiums," it said in a circular.

There will also be a 10% general increase for the 1,300 vessels covered for freight, demurrage and defence, outlined in a second circular.

The GI hike for protection and indemnity places the International Group affiliate at the lower end of the spectrum for the 2020-21 policy year, which runs from 5% at Shipowners, 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.

Swedish Club argued that premiums, which in real terms have been in decline over some time, would not at the current level be sufficient to meet expected claims and expenses, and that it was likely to record a deficit this year.

In addition, it noted that pool claims for the current year are likely to hit their highest level ever, and that the two previous heavy pool years had also seen big claims.

While the club itself has not experienced any pool claims in the previous three years, it must nevertheless meet its obligations under the mechanism.

Despite these challenges, the club continues to show strong solvency, with 5% tonnage growth in P&I since renewals, and it has exceeded sector average growth for the last five years, it stressed. Total owners' gross tonnes is now at 52.4m gt, and charterers' at 34.7m gt.

Average claim costs and frequency of all claims remained stable. The frequency of claims in excess of $500,000, as well as average cost of claims, were both stable and at low levels. Annual claims inflation is set to remain at about 3%.

No general increases were levied from 2016 to 2019, and the GI at the last renewal was just 5%, below the going rate of 7.5% at that time.

Container terminal operators hit by $1.9bn loss in earnings

THE container terminal sector incurred a $1.9bn drop in earnings in the first half of 2020 as operators struggled with falling volumes and landside disruptions as a result of the global health crisis.

"The container terminal sector is faring less well than container carriers this year," Drewry ports and terminals analyst Eleanor Hadland said in a webinar. "Our sample group of operators recorded a 4% drop in volumes during the first half of the year, compared to the Drewry estimate of a 5.6% fall in global port handling."

Of those, 80% reported lower revenues in the first half of 2020.

"Combined revenues were down just over 2% compared to the first half of 2019," Ms Hadland said. "In terms of profitability, 70% of companies in our survey reported lower earnings before interest, tax, depreciation and amortisation in 2020."

Overall revenues had not been affected as much as volumes because of annual tariff increases implemented in January, and from increased provision of ancillary services such storage during the crisis, she added.

Prior to the pandemic, Drewry had forecast that first half volumes would be up 4.8% in 2020. That would have equated to global revenue growth of just over 7%.

"But with an almost 6% fall in volumes, the revised estimate is now 5% lower than in 2019, making it a full 11% lower than the pre-pandemic forecast," Ms Hadland said. "For the sector as a whole we forecast that for the first half, ebitda will be around 16% lower than in 2019, or 21% below our pre-pandemic projection."

Most operators had responded with cost cutting measures, but these were constrained by the requirement to maintain full operations during the pandemic as essential services.

Some costs increased during the pandemic, as new working practices were introduced and terminals had to cover the cost of absenteeism as workers were off ill or following self-isolation protocols.

Turkey-based global terminal operator Yildirim today announced a range of surcharges across its portfolio to pay for the cost of coronavirus compliance.

"Yilport Holding took extra measures to ensure continuity for all business partners since the beginning of the pandemic," the company said. "Due to unforeseen consequences, the company is facing increased costs of obligatory safety procedures, social distancing requirements, extra sanitisation and protective equipment. The company will introduce emergency surcharge to be billed to every full import/export container handled from January 1, 2021."

Moreover, as the pandemic progressed, extreme volatility in demand in some markets has also pushed up operating costs.

"There is evidence of the roller-coaster ride that the market has been on in 2020," said Ms Hadland.

It has left the market unbalanced and the rising congestion in key import markets has arisen because inland transport systems, which have a fixed capacity as well, have struggled to cope with the influx of imports at the end of the first half of the year.

The unlocking of economies, the release of pent up demand and the beginning of the traditional peak season had all contributed to congestion

"That has overloaded the system," Ms Hadland added. "The indirect costs back to business will include importers having to pay higher transport and storage costs, as well as indirect costs due to stock holding. They are not going to be making the positive contribution to recovery that is needed."

The situation was unlikely to resolve until the first quarter of next year, when normal seasonality was likely to resume and containers be repositioned to where they were needed, she added.

South Carolina ports boosted by China's surging exports

THE South Carolina Ports Authority witnessed record high container volumes in November as the US continues to see a boom in the export trade out of China.

The Asian nation's trade surplus widened to a record $75.4bn last month, with exports to the US alone up 46% from a year earlier, China's General Administration of Customs reported on Monday.

Americans represented the biggest market for Chinese goods, buying $51.9bn worth, partly driven by demand for medical gear and lockdown goods.

"China's surprising strength in exports since the economic reopening has been mainly driven by its status as the first economy out of the Covid-19 pandemic and a beneficiary of the massive financial relief provided in [developed market] economies to maintain consumption demand," investment bank Nomura said in a research report.

SC Ports handled its share of that export boom, seeing 207,066 teu at its Wando Welch and North Charleston container terminals in November, up 12% year on year.

"SC Ports had a truly remarkable month with a record November for containers handled, as well as impressive results in our vehicles and inland ports segments," said president and chief executive Jim Newsome. "[We are] well positioned to handle increasing cargo volumes brought on by both the ongoing recovery and the booming Southeast Asian market," said Mr Newsome.

"Our strategic infrastructure investments are coming online at the right time. We look forward to opening the Hugh K Leatherman Terminal in March." he added.

SC Ports will open phase one of the Leatherman Terminal in March, marking the country's first container terminal in more than a decade.

The facility will boast a 1,400 ft wharf, five ship-to-shore cranes with 169 ft of lift height above the wharf deck, 25 hybrid rubber-tyred gantry cranes, and an expansive container yard, along with optimised operations and technology.

Phase one will add 700,000 teu to the port's annual throughput capacity, while full build out will see the terminal adding 2.4m teu and doubling existing port capacity in the process.

The $1bn first phase of the Leatherman Terminal also complements efforts to modernise Wando Welch Terminal and deepen Charleston Harbour to 52 ft.

SC Ports will next year celebrate the 40th anniversary of Wando Welch Terminal as investments add 15 ship-to-shore cranes with 155 ft of lift height, 65 RTG cranes, a strong wharf to handle big ships, a new refrigerated container yard, and efficient terminal operations.

Meanwhile, the Charleston Harbor Deepening Project, which is fully funded and on schedule, will enable mega boxships to access port terminals any time without tidal restrictions because of the 52 ft depth, along with widened entrance channels and turning basins.

"The recent arrival of the 15,072 teu *CMA CGM Brazil* (IMO 9860245) — the largest containership to ever visit the east coast — points to our successful long-term strategy of investing in port infrastructure and deepening our harbour to handle up to 19,000 teu vessels next year," said Mr Newsome.

"In 2021, SC Ports will be able to handle four 14,000 teu container ships simultaneously. We already expect even larger container vessels on the US east coast in 2021."

IN OTHER NEWS

CDB Leasing confirms 14-ship deal with Maersk Product Tankers

CDB Financial Leasing has confirmed its acquisition of 14 product tankers from Maersk Product Tankers.

The deal was first reported by Lloyd's List late last month, when the two parties were said to be close to finalising the agreement.

Hong Kong-listed CDB Leasing, part of China Development Bank, said in an exchange filing on Tuesday that it has now agreed to purchase the vessels for a total of $422m.

DSME expects to clinch 10 LNG-fuelled VLCCs

DAEWOO Shipbuilding & Marine Engineering announced that it has signed a letter of intent for 10 very large crude carriers that can be fuelled by liquefied natural gas.

The South Korean shipbuilder did not identify the buyers, only describing them as "European shipowners".

It expected to sign the formal shipbuilding contracts in the first quarter of next year.

Seaspan orders five 12,200 teu boxships

SEASPAN has announced orders for five 12,200 teu containerships backed by long-term charters to an unidentified carrier.

The containership owner, now a subsidiary of US-listed Atlas Corp, said in a release that the newbuilding will be financed from additional borrowings as well as cash on hand.

Upon delivery, the quintet will start 18-year charters to what it described as "a leading global liner company", subject to vessel purchase obligations at the end of the hire.

Port of Los Angeles partners with IBM on cyber security centre

THE Port of Los Angeles will partner with International Business Machines Corporation to design and operate a port cyber resilience centre aimed at detecting and protecting against malicious cyber incidents potentially impacting cargo flow.

Port executive director Gene Seroka said the move is critical as the facility increasingly relies on data integration to guide its cargo operations and processes.

Mr Seroka said the new Cyber Resilience Center not only will provide an early warning system against port-wide cyber attacks, but also will result in "greater collective knowledge and data sharing throughout our entire port supply chain ecosystem".

Hapag-Lloyd lifts earnings guidance

HAPAG-Lloyd has raised its earning guidance for the second time in as many months on the back of "better than expected" business performance in the fourth quarter of the year.

For the full year, it now expects earnings before interest, tax, depreciation and amortisation to be in the range of €2.6bn–€2.7bn ($3.2bn–$3.3bn), up from the updated guidance of €2.4bn–€2.6bn which it provided in October.

"In the fourth quarter, as well, market demand for container capacities has continued to be surprisingly strong and today we are deploying every available ship," said chief executive Rolf Habben Jansen.

Standards set for electronic bills of lading

THE Digital Container Shipping Association has taken the first steps of its eDocumentation initiative with the publication of the data and process standard for the shipping instructions and bills of lading.

The multi-year eDocumentation programme will deliver standards to enable digitalisation of end-to-end container shipping documentation, starting with the bill of lading.

The association hopes to facilitate adoption of an electronic bill of lading by regulators, banks and insurers and to unify communication between organisations and customers, carriers and all other stakeholders involved in a transaction.

Trading giants back Australia's LNG regas project

TRADING giants Vitol and Mitsui are backing one of a handful of regasification projects that will turn Australia into a liquefied natural gas importer.

The pair have separately signed up, via two consortia, for Viva Energy's proposed development of an LNG regasification terminal at its refinery in Geelong.

Vitol has teamed up with chemical storage provider VTTI, while Mitsui collaborates with the New Zealand arm of French utility group Engie.

Turkish cargoship detained off Libya

THE LIBYAN National Army has detained a Turkey-owned general cargoship at Ras al-Hilal, according to security consultants.

Ambrey reported the Jamaica-flagged, 2005-built, 8,508 dwt *Mabrooka* (IMO 9328613) was en route from Port Said anchorage, Egypt to Misrata in Libya when it stopped transmitting Automatic Identification System at 1905 hrs on December 4.

LNA sources told Ambrey the vessel sailing in the LNA's so-called "no-sail zone" and had not responded to radio hails.

Classified notices follow