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Ship lenders are aligned to 2050 decarbonisation goals, for now

SHIPPING LENDERS ARE broadly in line with globally agreed decarbonisation goals but with significant individual variations, a landmark report has revealed.

The first annual disclosure report by the Poseidon Principles initiative showed that the carbon intensity of the 2019 shipping portfolios of 15 lenders was on average just 1.2% short of meeting the trajectory required to meet the International Maritime Organization's mid-century decarbonisation goals.

However, lenders' data shows that only three of them actually outperformed this 2050 carbon intensity trajectory reduction, while another three were off by over 10%.

The new report, which sets the benchmark for carbon intensity performance improvements by lenders, will add to public pressure to elevate the significance environmental considerations in financing policies and could incentivise more money for retrofitting investments in the fleet.

Eleven banks launched the Poseidon Principles in mid-2019 as a way to both insert climate considerations in lending decisions and to offer more transparency on their own and the global fleet's performance.

Today there are 20 members with a combined shipping portfolio worth over $150bn. The five that joined in 2020 did not have to disclose details. SEB and SpareBank were the latest to join in December 2020.

The Poseidon Principles uses 2012 as a starting point in its reduction trajectory, that is meant meet the IMO's target of reducing shipping emissions by at least 50% compared to 2008. However, that trajectory is based on an 83% carbon intensity decline from 2008 by 2050 in order to meet that absolute target.

The reporting covers ships of 5,000 gross tonnes and above and various credit products such as bilateral and syndicated loans, club deals, and guarantees, secured by vessel mortgages or finance leases secured by title over vessel.

Climate alignment of each member is based on a weighted average of each of its vessels' carbon intensity performance and outstanding debt.

Each lender's data is confidential and the report does not include granular details on vessel segments' performance.

Tristan Smith, reader at University College of London and one of the key figures behind the report, said that the report offers a good starting point for what shipping needs to do next to reduce emissions, particularly over the next decade.

"[The lenders] are not below the line now and some of them are significantly above the line, so things are going to have to change," he said, commenting on the lenders' performance.

Poseidon Principles association chair Michael Parker said there are a number of sympathetic institutions that were waiting to see this first year' results and he hopes they will see there is nothing to fear from it and that this new level of transparency and the lessons learned will help them.

"The pressure from regulators, not just financial, means that it is going to be difficult for institutions to avoid this sort of approach, because it is not just the fellow banks asking them to join. It will be other people asking them why aren't they joining," he told Lloyd's List.

Mr Parker said he expects that by the end of June the Poseidon Principles members will have grown to 25 institutions.

A recurring question since the inception of the Poseidon Principles has been whether Asian lenders, particularly Chinese ones given their increasing prominence and portfolios, will become members.

The only Asian member thus far is Japan's SuMi Trust Bank, which joined in 2020.

Mr Parker did not reveal details of potential Chinese membership. But he did say that China's commitment of net zero emissions by 2060 coupled with other climate pledges it has made are encouraging signs that Chinese shipping lenders will be supportive of the Poseidon Principles given most of them are government owned institutions.

2021 and the future of the decarbonisation trajectory

As shipping seeks to find effective policies to transition into a low carbon future, incoming regulations will target the efficiency of the fleet and the way ships are used will become increasingly important in the short term.

Mr Parker believes the use of carbon intensity as a metric highlights the importance of how a ship is operated and traded. The data will allow institutions to see what is creating the emissions, encouraging retrofitting of older ships.

Mr Smith agreed this is not about investment in assets, but rather about changing eh he prioritisation of carbon intensity and the relationship between owner and bankers.

"If we have had a step change in behaviour and in the very important relationship, in the way that someone gets access to money...there should be loads of potential to make improvement into the 2020 and 2021 report," he said.

Looking onto next year, Mr Parker said he would be surprised if any institution's alignment worsened next year because of what's happened during 2020, the amortisation shipping loan portfolios' and the lack of huge amounts of new money.

"If a lender is going for new business and newbuildings those will tend to improve the results because they are more efficient. That is something we have seen in each institution's results that vessels over 5 years are clearly less aligned than those less than 5 years," he said.

Refinancing of loans will be especially significant for alignment going forward.

"I think that is where retrofitting and all the other technological adjustments that shipowners can make will become very important," he said.

Bur Mr Smith warned against putting too much pressure on 2020 as a year, given the rare circumstances that have caused disruptions in trade and vessel use. The fundamental changes, however, could be and should be underway.

Changes could also emerge for the baseline lenders use to judge their fleets' decarbonisation record.

The 2019 data seen by Mr Smith also showed significant variations among different vessel segments and sizes, something that could prompt changes in the way the group formulates individual segment baselines.

Earlier this year the fourth IMO greenhouse gas study was published, an update to the third IMO GHG study that the Poseidon Principles group used to develop the reduction trajectory that its members are measured against.

Mr Smith said the fourth study will likely be used for next year's report, meaning there should be a change in the trajectory line. But that shift will not be significant, he added.

WHAT TO WATCH

Fresh 'lower for longer' oil demand forecasts weigh on tanker trades

THE coronavirus pandemic is casting an ever-longer shadow on the tanker market for 2021 as two key agencies downgrade crude demand estimates for next year amid prospects that a post-Christmas third wave of lockdowns across Europe and North America will further stall oil's recovery.

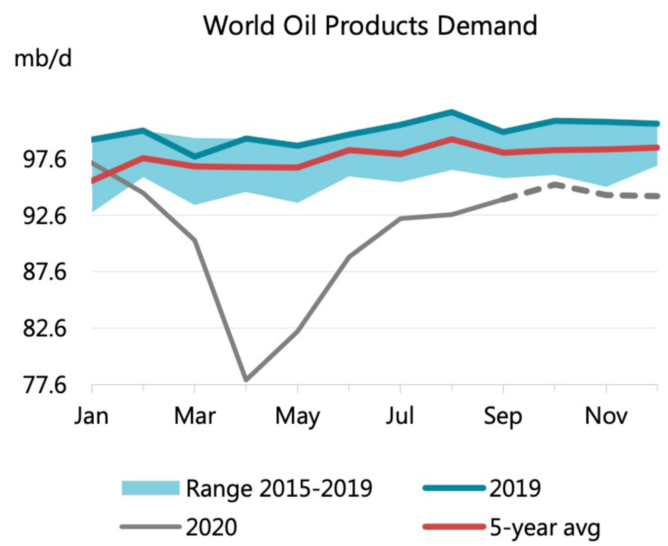
The International Energy Agency says in its monthly oil report out yesterday that crude demand next year will recover two thirds of the amount lost over 2020, reaching 96.9 million barrels per day. That is 170,000 bpd lower last month's estimate.

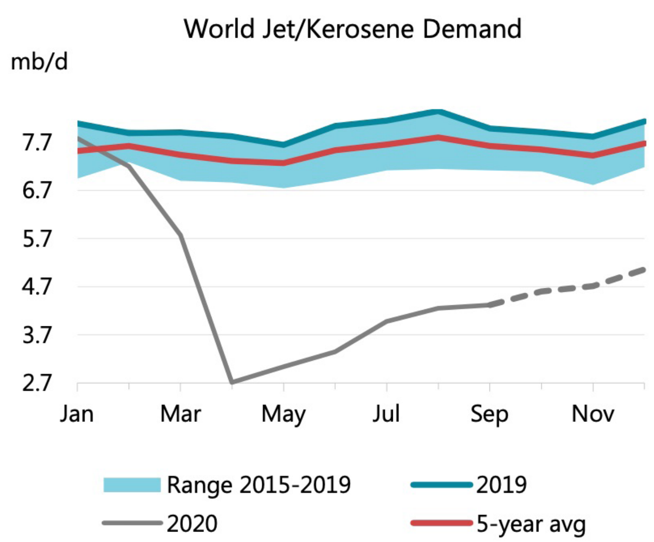
The forecast came with a "lower for longer" caveat and implied a 5.7m bpd increase on 2020 levels. Consumption contracted by a historic 8.8m bpd this year, the Paris-based agency says.

The revised estimates are a further sign there will be no significant rebound in tanker earnings until the final quarter of 2021, as lost seaborne volumes from 2021 are not fully replaced.

Seaborne crude exports contracted by an average of 8.4% to 48.19m bpd in the first 11 months of 2020 compared to 2019 levels of 52.61m bpd, data from Lloyd's List Intelligence show.

That is equivalent to the removal of 4.5m bpd from the market, or two very large crude carriers and one aframax tanker fewer cargoes loading daily.





The IEA says gasoline and diesel consumption will recover strongly in 2021 and reach 97%-99% of 2019 levels as manufacturing recovers. Most of the shortfall is attributed to the crash in jet fuel demand, which will reach 60% of 2019 levels next year, according to the report.

Covid containment measures, including social distancing and restricted travel, were attributed to 300,000 bpd trimmed from estimates over the first half of 2021.

"It is possible that, after the upcoming holiday season, a third wave of the virus will affect Europe and other parts of the world before vaccines have time to take effect. This would bring renewed downward pressure on oil demand," says the the IEA.

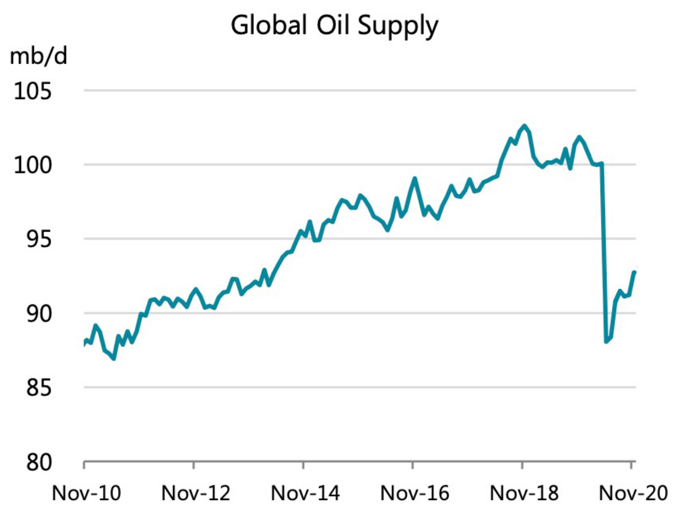
The IEA assumes a vaccine rollout over the first nine months of 2021.

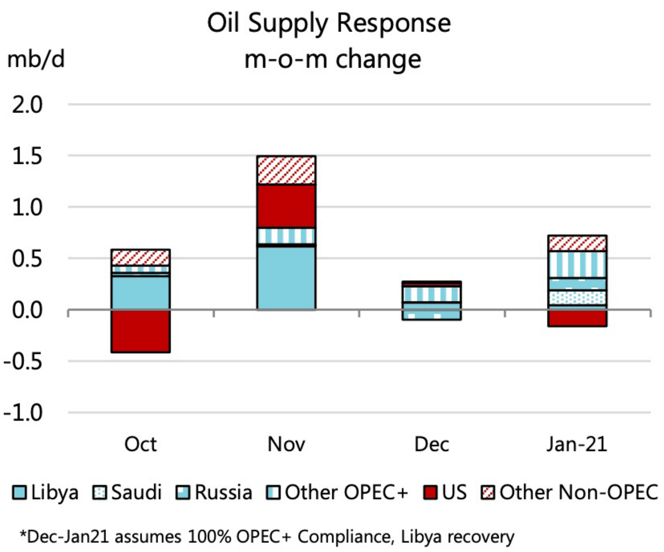
The Organisation of the Petroleum Exporting Countries also cut estimates. The oil producer group estimated that world oil demand contracted by 9.77m bpd in 2020, to 89.99m bpd. That is nearly 1m bpd more lost from the market than IEA estimates.

Opec cut a further 350,000 bpd from 2021 forecasts, also citing weaker transportation fuel consumption over the first six months of the year.

Both agencies highlighted strong growth from China, the biggest importer of seaborne crude. The IEA says demand will gain 850,000 bpd next year, the highest annual growth rate in a decade.

Competition for market share between non-Opec and Opec countries appears set to resume in 2021. Non-Opec supply fell by an average of 2.6m bpd in 2020 and will expand by 500,000 bpd, according to the IEA.





Norway's self-imposed production cuts are set to end, and higher oil prices seen since November on the back of vaccine approvals have buoyed indebted US shale producers.

Global refinery throughput estimates paint a similarly dreary outlook for product tankers. Throughput has shrunk by 6.1% year on year to 76.5m bpd. This will rise to 79.1m bpd in 2021, according to the IEA.

"The next leg of demand recovery does not happen until the second quarter of 2021," the report said.

Utilisation for refineries in member states of the Organisation for Economic Co-operation and Development was estimated at 69% in October, versus 80% for the year-ago period.

The global crude and products surplus which has seen refiners draw inventories, curbing cargoes for shipment is said to be easing. The build of 1.7m bpd in 2020 will be followed by a 1.8m bpd dray next year.

"Current balances suggest that global crude oil stocks will return to pre-pandemic levels by December 2021," according to the IEA.

Compensation claim against Rina can be heard, Italian Supreme Court rules

ITALIAN class society Rina does not enjoy civil immunity from compensation claims brought domestically by families of the victims of the *Al Salam Boccaccio 98* (IMO: 6921282) casualty, the Italian Supreme Court has ruled.

The decision — which overturns earlier rulings from the high court and Court of Appeal in Genoa — opens the way for litigation on massive scale, following the 2006 fire and capsize of an Egypt-owned ferry in the Red Sea with the loss of an estimated 1,096 lives.

Families of the deceased have alleged that Rina's safety checks were inadequate, and that the vessel itself was poorly designed and equipped, rendering it essentially obsolete by the standards prevailing at the time.

Rina's contention had been that in its capacity as a recognised organisation, it was acting on behalf of flag state Panama, and that the case should therefore be heard in Panama.

The outcome of the nine-year legal tussle over the relevant jurisdiction for is significant, as the level of compensation payouts in a first world country, such as Italy, would almost certainly prove far higher.

It also appears to set a significant precedent for classification societies in general in similar circumstance in future.

The matter earlier this year reached the Court of Justice of the European Union, which also found in favour of the claimants.

Rina said in a statement that it acknowledges and respects the decision of the Supreme Court but believes the judges did not take into due consideration the arguments it proposed.

"Rina also highlights that such decision relates exclusively to the identification of the jurisdiction appointed to examine the case of *Al Salam Boccaccio.*

"The company, in recalling it was not involved in the investigation process carried out on the case, is confident that the correctness of its actions will be further confirmed."

Stefano Bertone of Turin-based law firm Ambrosio & Commodo Studio Legale Associato acts for the compensation claimants.

He argued in an email to Lloyd's List that casualty investigations had highlighted certain shortcomings, and in particular, errors in the fire control plan.

"This incident was a fire with subsequent capsizing due to water accumulation on main deck. So water discharge overboard here is a central matter," he said.

"Allegations on stability are nonetheless only some of the many allegations of negligence that our experts have compiled against RINA.

"Our legal consortium is financially and technically prepared to face any of the next steps towards the merits of this complex litigation."

The International Association of Classification Societies did not immediately respond to a request for comment

ANALYSIS

Our industry is united more than ever, says Guy Platten

SHIPPING has united around the plight of seafarers since the coronavirus pandemic broke out, but also in its opposition to inclusion of the industry in the European Union's Emissions Trading System, according to the International Chamber of Shipping's secretary-general, Guy Platten.

Those are probably the biggest and most existential of the problems in Mr Platten's in-box although he knows there is no end of important issues that will need his attention in 2021. For starters he cites the "unacceptable" rate of kidnapping from vessels in the Gulf of Guinea and "a host" of legal issues that the ICS must confront.

The national shipowner organisations that comprise the membership of the ICS represent more than four fifths of the world's merchant fleet and more than any other body the ICS is expected to pull the strands of a disparate industry together as issues arise.

Many of these are legislative in character but the coronavirus outbreak presented the ICS with a planet-wide operational and humanitarian emergency with virtually no warning.

Mr Platten has just been named International Personality of the Year at the Lloyd's List Greek Shipping Awards for his pivotal role in the industry's efforts to ease the plight of crews around the world that have run up against crippling restrictions on their movement, often keeping them trapped on ships well beyond their contracted employment period.

"Among shipowners and shipmanagers, I have never seen such levels of co-operation," Mr Platten says.

It has been a different story with charterers, whose behaviour has been "legally questionable and morally reprehensible".

He says: "We have called it out and I do think it's starting to pay off now. As an industry we are quite shy. Obviously people are reluctant to name names but across the board it has been disappointing Nevertheless, charterers need to be on the right side of history and they have to be part of the solution."

The primary difficulty has been to convince virus-wary authorities around the world to facilitate crew changes, and even allow treatment ashore to seafarers needing medical care. But he says that the tide has slowly turned, with quite a few countries now recognising seafarers as key workers in the coronavirus economy.

The cause has been boosted this month by resolutions to that effect by both the United Nations General Assembly and the International Labour Organization.

"We have had some success," he says. "Hundreds of thousands of seafarers have been impacted by this. The problem is being managed but it has not gone away."

The focus of ICS efforts is now shifting to lobbying for the profession to be early in line for coronavirus vaccines.

It has set up a task force to look at vaccination hubs and other practical ideas for ensuring 1.6m seafarers are vaccinated efficiently as coronavirus jabs come on stream.

"Along with air crews, our seafarers are keeping the world going," Mr Platten underlines. "We need to make sure they are classified as a priority for vaccination. That will be a game-changer and it's the only way that we will solve the issue of crew movement."

The industry has also spoken "at length" with the International Maritime Organization, the ILO, the World Health Organization and other international bodies as well as some national governments including that of the UK.

According to Mr Platten most are "sympathetic" to the argument for prioritising vaccination of 1.6m key workers out of a world population of 8bn. "I think most see that there are direct economic and supply chain benefits and that it's unavoidable logic, but having a good argument is not fixing the problem. We need tangible action now," he says.

Just last month the ICS and other shipping associations wrote to Amazon.com founder and world's richest man Jeff Bezos, trying to recruit him to put pressure on the US administration to recognise seafarers as key workers.

Mr Platten says that no reply has been forthcoming. "We are not surprised about that but the point was that we got a lot of coverage and wider attention from that in places beyond the trade media. A report on the seafarer crisis by CNN is scheduled for December."

He feels that for an industry that traditionally finds it hard to break out of its own echo chamber, shipping has done "quite well" in terms of publicising the plight of seafarers under the current conditions.

"We want to keep that going in the coming year," he says.

EU's Emissions Trading System

Fighting for recognition is historically a common thread in many of the industry's battles and is hardly less evident as the ICS aims to shift the EU's present intention to shoehorn shipping into the ETS, the other main item on the Platten plate for 2021.

In its preliminary remarks on an assessment by Brussels of the impact of the move, the ICS said that the initiative was being advanced with "little apparent understanding" of the implications for the IMO's own efforts to eliminate industry emissions or the potential to disrupt the EU's wider relationships with trading partners.

Although international shipping traditionally has been solidly against unilateral or region legislation, on emissions there have been a few signs of hairline cracks in the industry's ranks, with remarks emanating from Danish shipping circles, in particular, seen as outliers.

Mr Platten maintains that any "slight" disagreements have been exaggerated. "The industry is united," he says. "We don't agree with regional approaches that undermine global rules and global efforts. We have to fight hard against regionalism.

"There are slight differences of opinion but more unites us than divides us. The ICS is a broad church. There are always differences of degree, but one of our strengths is getting different viewpoints to come together. We support the IMO as the global regulator for shipping and as the appropriate forum for the development of a market-based measure for the industry."

The shipping industry is not against a market-based measure, he underlines, but the clear preference is for a levy linked to fuel consumption as the measure least likely to distort the market and create unfair competition.

Mr Platten is optimistic that the European Commission and the European Parliament, that has been particularly zealous about extending the ETS to shipping, can be won over.

"We have good relations with EU officials and we will continue to make the case with logical, reasoned arguments.

"There is a clear pathway laid out at the IMO to reduce total emissions. Let's have the debate at the IMO and see what actually works."

According to the ICS the ETS will not work, for multiple reasons. "They tried it before, with aviation, and it did not work. Emissions actually rose and it damaged relations with trading partners.

"The ETS is an extraterritorial trade tax that could impinge on sovereignty. Japan has been vociferous against it and other states will come out against it soon or use other channels to be against this regional scheme."

Regionalism, and the risks of derailing the IMO's progress and of distorting the market with smaller companies likely to suffer much of the collateral damage, are all red flags. But the industry's quarrel with the ETS route is even more fundamental than that, he explains.

The ICS estimates that only about 15% of total shipping emissions might be affected, though not necessarily reduced, through a market for purchasing carbon allowances.

Meanwhile, the EU appears to look at the funds potentially raised as contributing to Europe's general economic recovery from the coronavirus pandemic.

"The reason for action should not be per se to raise revenues," Mr Platten says. "It should be to drive behaviour. It should be to reduce emissions."

Instead, he says that the industry is "fully signed up" to the IMO strategy.

"We are unlike many other industries. When we commit to something we generally go and do it. It's not a lie, it's not just empty rhetoric, not just grand targets. It's a tangible commitment to do something."

In that spirit, too, the industry has put forward its proposals for shipowners to finance the International Maritime Research Board, the proposed new non-governmental fund for zero-carbon technologies.

"If member states can sign up to that, we think that fund can be up and running in a couple of years," he says. "That will provide a meaningful sum of money to develop the technology we need. That to us is a priority."

Anglo American sees LNG as a viable step to cut carbon emissions

THE USE of liquefied natural gas as a marine fuel is an attractive option from a commercial perspective with a regulatory compliance regime already in place, according to global head of shipping for Anglo American Group Peter Lye.

"In terms of newbuilding, the technology [for LNG dual-fuelled ships] is there, it is available, it is tested," Mr Lye told Lloyd's List.

"The infrastructure around LNG and marine fuel bunkering capabilities, particularly in the region where we would be doing a majority of our bunkering is established and becoming further established, which gives us a lot more confidence around being able to use LNG," he said.

The British mining giant recently signed a deal to charter four dual-fuel 190,000 dwt dry bulkers, being built at China's Shanghai Waigaoqiao Shipbuilding, to reduce its shipping carbon footprint.

The ships, to be flagged and registered in Singapore, are expected to carry up to 5m tonnes of iron ore per year from Anglo's operations in Brazil and South Africa.

They will reduce carbon emissions by approximately 35% compared with vessels burning conventional fuel oils, according to the company's estimates.

"The reduction in emissions is key," said Mr Lye.

Increasing orders for LNG-fuelled ships show that shipowners' confidence about the fuel is improving, even though it is only viewed as a transitional solution to the International Maritime Organization's decarbonisation targets.

Doubts remain about the environmental drawbacks of LNG, such as the methane slip, while the use of cleaner fuels including hydrogen and ammonia are being explored.

Mr Lye agreed that a big part of the solution to meet the IMO's 2050 targets is to establish the multi-fuel capability, which he believes would require massive investment in developing infrastructure and supply chain.

He said that the shipping industry has made some efficiency gains towards decarbonisation over the past decade, "which are really very positive".

"I think that gives us a lot of encouragement that the industry recognises the need it has to move and is pushing things in the right direction."

However, "transferring that into tangible actions is probably something that still is taking some time", he added.

An Australian national, Mr Lye spent 15 years climbing the corporate ladder at Rio Tinto before joining Anglo American.

He moved to Singapore in 2007 as the Australian miner's executive general manager of marine and took on the current position in 2012.

One of the world's largest miners, Anglo American's production, across all minerals, is likely to increase by 14% in 2021, according to its annual update last week.

However, the company trimmed the outlook about its thermal coal output from 26m tonnes to 24m tonnes for next year.

Demise of DVB, a bank laid low by 'shipping, shipping, shipping'

DVB Bank, one of the ten largest lenders to the industry as recently as three years ago, is set fold into its parent company DZ Bank, according to an internal memo widely reported in German media outlets.

The move would mark the end of DVB's standing as an independent entity, just shy of the centenary of its foundation as Deutsche Verkehrs-Kredit-Bank as long ago as 1923.

Its not entirely unanticipated demise follows unsuccessful attempts by DZ Bank to divest itself of the unit as a whole, with both Bank of China, and Industrial and Commercial Bank of China at one stage bruited as potential buyers.

When that strategy came to naught, its land transport and aviation books were disposed of separately, to Landesbank Hessen-Thuringen and Mitsubishi UFJ respectively.

One ship finance source whose London-based employer ran a slide rule over the deal at the time commented in 2018: "The initial idea was to sell the whole bank, but that did not work. DVB is too chunky, too different, with shipping and offshore non-performing loans on the one hand and the aviation and rail on the other."

However, DVB's problems with shipping predate even the failed sell-off efforts, ultimately stemming from the shipping downturn in the wake of the global financial crisis.

As long ago as 2013, its then chief executive Wolfgang Driese said in an interview with Lloyd's List that while shipping would remain a core business, he very much saw the future in terms of expansion in other transport modes.

"I just want it to be realised what we are, a transportation bank, because we are getting too much focus on shipping, shipping, shipping," he said.

"All that attention goes to that portion of our business and does not reflect the overall transportation portfolio."

No final decision on ending DVB's independent existence has yet been taken, but if the plan is implemented, it is likely to happen at some point between August 2021 and the start of 2022. DZ itself has declined to comment on the matter.

DVB announced its definitive withdrawal from ship finance in December 2019, although its shipping loans still topped $5bn, according to DZ's interim results this year, with DVB making a loss at the halfway stage.

DVB is formally based in Frankfurt, although most of its shipping activity was done through its network of branches outside Germany, including Amsterdam, London and Athens.

OPINION

Yard Talk | LNG's climate credentials depend on a long bridge to decarbonisation

DEBATE about using liquefied natural gas as a transitional fuel to decarbonise shipping is getting hotter with more than 150 vessels on order opting for LNG or dual-fuel LNG engines this year.

Energy major Shell has been leading the charge recently with a slot reservation at Daewoo Shipbuilding & Marine Engineering for 10 LNG-fuelled very large crude carriers.

The move may also further prove that a key environmental flaw of LNG — methane slip — can be solved, at least on ships.

Braemar said in its latest weekly report that "only the ME-GI engine is being considered" in the Shell deal. The brokerage believed these units will "set a new yard stick for what is possible with regard to the [Energy Efficiency Design Index] Phase 3 VLCC emissions".

Such high-pressure, dual-fuel main engine makes methane leakage, which is viewed as much more damaging than CO_2 on global warming, "virtually undetectable" to quote German engine maker MAN.

Its competitor Wärtsilä also challenged a widely cited analysis by the International Council for Clean Transport earlier this year, which argued gas engines are worse emitters than those burning conventional diesel.

The Finnish giant said the ICCT study used "methane emission levels that do not reflect the latest gas engine technology".

Of course, nothing is perfect. As ever, one of the biggest shortcomings of a more advanced technology is its price.

Taking an VLCC for example, the price for fitting the propulsion systems built on the ME-GI engine is about $2m to $3m higher than applying a typical Otto-cycle, low-pressure main engine, according to brokers and shipyard experts.

Also, with a higher combustion temperature more NOx is formed, which means the former solution would require additional measures, such as the exhaust gas recirculation, to comply with the Tier III emission standards. That means more costs.

No wonder then both charterers and shipowners are exercising extra caution on the costs as a result of the residual value risks involving the LNG component. You never know what cleaner fuels being developed at the moment will become available a decade from now and better serve the International Maritime Organization's 2050 targets.

That is perhaps why Shell would want to team up with owners on the dual-fuel VLCC project so that the asset risks can be shared. That is also why an internal Shell project dating back to August suggested the energy giant was seeking to slash the differential with the price of an oil-fuelled VLCC newbuilding by 25% to 50%.

According to Shell's internal report, the company found it could save 22% cost savings through improvements to conventional plant and materials. But it found it could boost these savings to 40%, cutting the extra capex of a VLCC newbuilding from $13m to $7.6m.

But cost saving alone are not everything.

A stable supply of LNG in future is critical for any LNG-powered vessels expected to have a life cycle for about 20 years. While a recent uptick in LNG bunkering facilities opening this year is a promising indicator that LNG's case as a legitimate stepping stone to meet emissions targets is being supported by port facility investment, owner have to take a mid-term view on their investments. So any suggestion that the gas fuel could become increasingly inaccessible or unaffordable is going to raise eyebrows.

A recent Wood Mackenzie report predicted that winning the world's climate change battle would lead to a significant reduction in the global LNG supply over the next two decades, leaving many LNG projects under consideration, effectively stranded.

That will have worried may of the owners currently paying a premium to ensure climate compliance.

For those who have or are betting on LNG as a bridging fuel to green shipping, the irony is, perhaps, the longer the bridge gets, the better the returns will be.

Asleep at the wheel — why shipping can no longer fake work hours

TECHNOLOGY companies have been using sensors to collect data and monitor performance for many years, but the application of these technologies within the context of seafarer health and safety has not been high on the agenda.

That is about to change. With the coronavirus pandemic trapping hundreds of thousands of seafarers on their ships, the focus has now shifted on to crew welfare.

There is a strong link between seafarer welfare, fatigue and safety. Although that link is acknowledged, seafarer work patterns are so ingrained into maritime culture that the link is almost universally overlooked.

A recent report issued by the World Maritime University [Safety report unveils connivance on dangerous practices – Lloyd's List November 24] confirmed earlier investigations that showed the 14-hour workday is far from uncommon. Six-hours-on/six-hours-off shift patterns are long established.

But age-old seafarer shift patterns do not reflect the stresses of modern seafaring. Even so, disrupting maritime culture has proved hard to achieve from within the industry.

This was the impetus for the Crew Welfare Innovation Challenge, led by Inmarsat, the global satellite communications business, with the support of Shell Shipping and Maritime and Thetius, a digital consultancy. The aim was to find technologies most likely to benefit crew safety, health and well-being.

Almost 50 entries came in from start-ups and small and medium-sized enterprises. The winner was a joint entry from Canary Sentinel and Workrest, for an intelligent fatigue management platform.

Canary Sentinel chief executive and founder Arshia Gratiot (left), has a background in technology at companies such as Nokia and has studied fatigue management in the aviation sector.

She tells Lloyd's List she wanted to work out "how we could use sensors and technologies the tech sector had taken for granted and apply it in an industry where people were at risk of exposure [to Covid-19] because they were moving around so much."

She observes that while safety regulations are rigorously maintained by aviation regulators, maritime safety does not receive the same scrutiny. “Shipowners I spoke to focused on the bottom line,” she explains. “Spending money on safeguarding people is not a priority.”

The key is in the name of her company. Between the 18th and 20th centuries, male canaries were used in British and North American coal mining to detect carbon monoxide. Until 1986 they were used to warn workers of danger, now there is a need to warn of the danger of fatigue at sea, which could lead to accidents and incidents.

But there is a complicating factor, Ms Gratiot says. Health monitoring has become a hot potato issue because of data security.

Health information is private to the individual seafarer and should not be the basis for discriminatory decisions. However, fatigue is a causal factor for a range of comorbidities from cardio-vascular diseases to diabetes to mental issues.

By being able to address why seafarers become fatigued, using data which employers can act upon, it is hoped the broader health issues that follow can also be tackled.

Canary Sentinel makes use of wearable technology to monitor work hours. Working beyond accepted periods will be identified and given a green coding (compliant), yellow coding (flagging up a concern) or red coding (requires urgent attention).

Tim Fletcher (left), spent five years in the superyacht sector before coming ashore. While at sea he became frustrated at the antiquated use of MS Excel spreadsheets and coloured highlighters to keep track of crew hours on a vessel costing millions of dollars.

“This was at a time when apps were everywhere. I sat watching all the crew on their smart phones and thought about how we could track hours in a way that works for them,” he recalls.

Later research confirmed even large shipping companies continue to use paper-based records.

The Workrest platform will use data generated by wearable technology to enable seafarers to log and monitor the compliance of their hours. There is no positioning data because “I didn’t want an app that would be running in the background, draining the user’s battery life,” Mr Fletcher explains.

The crew members log the hours they worked, and the algorithm calculates compliance with regulations for them. Those hours are then synced with a dashboard accessible to the vessel’s administration team. Over the course of a month, the number of non-compliance items can be assessed.

“The key thing is to understand why there is non-compliance,” he says. The crew member enters a comment and the admin people will know from the crew member why the seafarer went into non-compliance. Admin would then state what had been done to compensate for the extra hours worked, and management further up the chain will be able to acknowledge both the non-compliance and the action taken.

“Those managers who use us will get data in real time. My goal is for the master or chief officer to come in as little as possible,” he states. “The system will email a non-compliance to a designated person for review. We are trying to give the information as soon as it has happened, which is greatly valued... The system shows what is actually happening, not just complaining about needing more help.”

One of the benefits of real-time monitoring is prevention of fake records. “The captain might log that you have had three hours off but the sensor on your device says you’ve been moving around. How can you fake that?” Ms Gratiot asks.

“A combination of the Workrest platform and data from sensing devices like Canary Sentinel creates a very intelligent system that requires no human intervention. Eventually all this data will be logged for you, nobody will write it in, it is all automated, all filed. That’s true intelligent rostering.”

Arshia Gratiot believes it’s time for a new mindset. “Good tech is invisible,” she explains. “You shouldn’t have to learn it; it should seamlessly integrate into your life. When we take the learning curve out, adoption becomes easier.

The vision became closer to fruition when Shell questioned the work hours culture. “Let’s disrupt this, let’s see what happens,” the company said.

The winning Innovation Challenge entry secures £10,000 ($13,300) for proof of concept on a Shell Shipping tanker. Richard Holdsworth, Maritime Ventures Lead at Shell Shipping, said the winning entry could have a significant impact on seafaring because of its “immense potential to change lives, boost morale, provide insights into the way ships are operated, and enhance productivity”.

Inmarsat Maritime president Ronald Spithout said the competition had demonstrated the wide variety of ways in which digital technology can enhance seafarer welfare. "It redoubles our enthusiasm for seeking out the disruptors driving maritime digitalisation."

MARKETS

China confirms Australia coal ban leaving 37 bulk carriers stranded

CHINA is said to have lifted import restrictions for coal from countries other than Australia as the trade spat between the two countries intensifies and leaves as many as 37 bulk carriers stranded at anchorages outside coal terminals.

The move was reported in local newspapers and, if true, breached World Trade Organization rules, Australian officials including the prime minister Scott Morrison said yesterday.

In the first 10 months of the year, China imported 77.4m tonnes of coal from Australia, a 7.6% increase from the same period last year, according to shipping association BIMCO. That equates to 775 post-panamax loads.

At least 35 panamax or post-panamax and three capesize bulk carriers that loaded coal at eastern Australian ports since July through to November are at anchorages outside terminals at Caofeidian, Huanghua, Tangshan and Bayuquan.

Data from Lloyd's List Intelligence shows that some of the vessels tracked have been at anchor for more than 13 weeks. The bulk carriers are a combined 6.1m dwt tonnes.

The unofficial delays, which emerged several months ago after Australian government officials criticised China, imperils coal sales to worth $14 billion in 2019.

"The Chinese government has made it very clear that the gates are open for coal imports in the coming months," Peter Lindstrom head of research for bulk carrier pool operators Torvald Klaveness told Lloyd's List.

"This is much in line with what I have been predicting and is positive for the drybulk market.

"It is also clear that Australian coal is banned.

"This has a positive effect in that some six million dwt of vessels idling outside of China probably will continue to do that for quite some time."

China is said to be sourcing thermal coal from further-away miners including Colombia, he said, adding to tonne mile demand, while Australia is now seeking alternative markets in Japan and South Korea for unwanted coal.

Russia was the only other major country to have seen growth in coal exports to China in the January to October period.

Exports to China were at 29.5m tonnes, according to BIMCO. Mongolia and Indonesia are also large suppliers.

The worst-case scenario for dry bulk shipping is for China to increase imports from Mongolia, as most volumes move by land, BIMCO's chief shipping analyst Peter Sand said.

In the best-case scenario, China would source coal from South Africa and Colombia.

Australian media played down the significance of losing China as a customer, reporting the main customer for coking coal was Japan, which takes 45% of its exports, followed by China at 18%.

The trade spat with China has widened to include bans on Australian imports of barley, beef, wine, seafood, timber and cotton and is nevertheless taxing on seafarers who have been sitting in bulkers carrying coal for extended periods of time.

"It's a humanitarian crisis more than anything else," said Mr Sand from BIMCO. In one case, the vessel has been marooned for 198 days.

Yes, we have no containers

THE shortage of available containers faced by shippers, which is causing severe supply chain disruptions, is being caused by operational factors rather than a shortage of actual equipment, according to research by Drewry.

While there had been a fall in the number of containers in circulation this year following factory closures in China during the first half of the year, the number of containers shipped had fallen by a far larger amount.

"The global ocean-borne container equipment fleet is expected to end the year having declined 1.1% to 39.9m teu, compared with a 3.3% projected fall in 2020 global container port handling," Drewry said. "This suggests that the former has more than kept pace with the latter."

Container volumes have surged in the second half of the year as demand rebounded on the back of increased ecommerce activity following lockdowns in large consumer markets. Despite this, a key measure of equipment availability, the ratio of port throughput to per container, reached only 20 in the second half of the year, a figure that is in line with historical trends.

"This is indicative of sufficient equipment fleet to support cargo demand," Drewry said.

"Rather, it is the disruption to container supply chains wrought by the unprecedented number of blanked sailings, which reached as high as 30% of sailings on some trades back in the second quarter of the year, that led to the current shortage of empty containers in key cargo demand centres such as China."

But it added that the surge in cargo demand had spurred investment in new containers equipment.

"From a 35% contraction in global output in the first quarter, manufacturing has since recovered and is expected to reach 2.7m teu by the end of the year, down 5% on 2019," Drewry said.

"With demand for new containers remaining strong and factories reporting full orderbooks well into the first quarter of next year, output in 2021 is forecast to leap by as much as 40% with further growth anticipated in subsequent years."

Major carriers have already indicated the plan to boost their equipment fleets. In its third quarter of the year results presentation, Maersk said it would invest in new containers rather than leasing them, Hapag-Lloyd plans to have added 250,000 teu of equipment by the end of the year, and CMA CGM said it had already increased its container fleet by 8.7% during the second half of the year.

Drewry noted that demand for additional equipment had already pushed up prices.

"In October, prices as high as $2,650 per 20 ft standard dry freight container were being quoted," it said.

"With manufacturing capacity fully utilised, further price increases are expected. Correspondingly, lease rates hardened in the third quarter of 2020 as demand for containers increased and equipment utilisation levels improved. The rally in lease rates is expected to continue."

But despite the increase fleet of available boxes coming into service, this would not fully alleviate the current situation.

"The greatest impact will come from a normalisation of cargo demand development and carrier sailing schedules, as Covid-19 related disruption unwinds through the first half of 2021," Drewry said.

IN OTHER NEWS

Final discharge for Vale's converted VLOCs

VALE, Brazil's mining giant, said that its last cargo transported on its fleet of converted very large ore carriers has been discharged in China.

The miner, which did not disclose the name of the vessel, said that it was following its new risk management approach in January, when it decided to phase out or substitute all 25 of the vessels that had been converted from single-hull very large crude carriers through "early termination or amendment of contracts".

Its freight competitiveness was being preserved through long-term contracts with shipowners for the use of more efficient vessels such as the newer valemax and guaibamax fleet, it said.

Lloyd's List Intelligence shows that the Sinokor-owned vessel *Sinoglory* (IMO: 9041198) was at Zhanjiang port in China from December 9–13. It is sailing without a known destination.

Converted VLOCs have been the bane of the dry bulk shipping industry following the sinking of *Stellar Daisy* in 2017, with the loss of 22 lives. Subsequent inspections on similar vessels found concerning defects.

At the time of the incident, more than 50 such vessels were trading, and the figure has been steadily decreasing since then.

IMO says 45 countries have now classed seafarers as key workers

THE International Maritime Organization has made some progress with governments designating seafarers as key workers, although there is still some way to go.

The London-based United Nations agency said in a circular letter that 45 member states and one associate member (Hong Kong) have recognised seafarers as key workers, which is critical to resolving the crew change crisis plaguing the shipping industry. That compares with 42 in mid-August.

However, the recent figure represents only one quarter of the membership, as the IMO currently has 174 member states and three associate members.

The IMO secretary-general Kitack Lim called on those who had not made the designation to "take action as a matter of urgency", mirroring calls by other organisations such as the Christian charity The Mission to Seafarers.

Singapore takes lead in granting shore leave for seafarers

SINGAPORE has developed a framework for granting shore leave for crew working on board visiting vessels as the port authority further relaxes coronavirus restrictions.

Vessels will have to be in port for at least 14 days to be eligible for the lifting of not-to-land status and should continue to stay in port for at least another two weeks, according to a circular from Maritime and Port Authority.

All crew on board the vessel will be required to go through the clearance process, which includes cohort isolation for 14 days and two negative polymerise chain reaction swab tests during this period.

During the isolation, all crew must remain on board the vessel and there shall be no new crew signing on, or transferred to, the vessel, MPA said.

Saudi Arabia says explosive boat hit fuel ship at Jeddah port

SAUDI Arabia said a fuel transport ship at Jeddah was hit by an explosives-laden boat the same day Hafnia reported a suspicious blast on its product tanker *BW Rhine* at the Red Sea port.

Reuters reported that the Saudi energy ministry's comments, carried on state TV, did not name the vessel or identify the culprit.

"The attack resulted in a small fire, which emergency units successfully extinguished," the Saudi Press Agency said. "The incident did not result in any casualties and there was no damage caused to the unloading facilities, nor any effect on supplies."

SPA called the incident a terrorist attack.

Hafnia yesterday said its Singapore-flagged, 76,580 dwt *BW Rhine* (IMO: 9341940) was "hit by an external source" while discharging at Jeddah, damaging the hull and causing a small fire which was quickly put out. Hafnia said its 22 crew were uninjured.

Five crew reported kidnapped off Nigeria

FIVE crew have been kidnapped from a Gulf of Guinea general cargoship 48 nautical miles west of Bayelsa, Nigeria.

The 1973-built, Cameroon-flagged, 710 dwt *Cap Saint Georges* (IMO: 7312529) was reported to have been attacked on December 10.

On Tuesday, Ambrey Intelligence reported three Cameroonian nationals, one Ghanaian and one Sierra Leonean were kidnapped.

Ambrey said the vessel had been underway at 6–7 knots before she drifted for about 47 minutes. She had been underway from Douala, Cameroon to Lome, Togo.

Risk Intelligence senior analyst Dirk Siebels said the 1973-built ship appeared to be a locally trading vessel and noted the incident had not been reported to the International Maritime Bureau or to the MDAT-GoG, the UK–French piracy reporting service.

This suggested it could be related to a local business or criminal dispute, rather than an attack by more organised pirates on an internationally trading ship, Mr Siebels said.

Port Of Workington Manager

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https://youtu.be/3rO6kc0xpDA

Interview Information

Closing date – 24 December 2020
Interview date – 7 January 2021

Due to the coronavirus, we are operating virtual interviews. This will preferably be undertaken using the Microsoft Teams software, which is currently free for new users, however if there are any issues with accessing this technology, we are happy to discuss alternative arrangements prior to the interviews.

Options will be discussed with candidates once they have been invited to the interview stage of the process, and if you have any concerns or adjustments are needed, we are happy to discuss.

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Piraeus International Centre Award **Onex Shipyards**

Achievement in Education or Training **National Technical University, Athens**

Tanker Company of the Year **Okeanis Eco Tankers**

Ship of the Year **"Excelerate Sequoia"**

Greek Shipping Newsmaker of the Year **Michalis Sakellis**

Lloyd's List Intelligence Big Data Award **Metis Cyberspace Technology**

The Sustainability Award **Typhoon Project**

Lloyd's List/Propeller Club Lifetime Achievement Award **Athanasios Martinos**

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