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Decarbonise together, not owner by owner

A FEW YEARS back, clothing retailers hit on the ruse of paying others to plant a few saplings for every T-shirt they sold, and supermarket chains started inundating city dwellers without gardens with fully compostable plastic bags.

Then they began marketing themselves as 'carbon neutral'. But sadly for such branding efforts, cynicism is kicking in. The game is up for greenwashers.

The public knows that carbon offsetting and biodegradable plastics are only palliatives. The need is to prevent emissions getting into the atmosphere in the first place.

Shipping cannot and should not replicate fast fashion's tactics. We have to start from the realisation that we emit carbon and then some, and that is only one aspect of the harm we otherwise facilitate.

Much of our lunch comes from hauling fossil fuels, intrusively extracted mineral ores and soya grown on illegal slash and burn plantations that take out country-size chunks of the Amazon rainforest each year for vast distances around the planet.

We deliver them to serve as inputs for smokestack industries, on vessels still largely fuelled by the crud left over when oil refineries have finished with everything else.

And sometimes we even spill those bunkers over pristine Mediterranean beaches, as Israel and Lebanon recently found out.

Even five years ago, the collective response could fairly have been described as woeful. It is gratifying that industry leaders are now doing things instead of just talking about doing things.

But hold off the self-congratulatory pat on the back just yet. We not going far enough, we're not going fast enough, and we are nowhere near cohesive enough in what we do.

The agenda is still essentially responsive. Shipping's impressively ineffective history of regulatory progress can be read as a series of reactive measures, almost always undertaken in isolation from their unintended but unconsidered consequences.

The agenda is still limited. The half-promise of half-decarbonisation by 2050 envisaged by the IMO is risible in light of what is technically possible now, never mind what will be technically possible three decades hence.

Even our customers are getting impatient with the lack of progress. When a United Nations agency is blasted as laggardly by the likes of BP and Trafigura, it is clearly proceeding too slowly.

And the agenda is still unco-ordinated. Lack of a decisive lead from the top has prohibited the emergence of what politicians call 'joined-up policies'.

Instead, the vacuum has been filled by the piecemeal strategies of individual companies and multiple regulatory agencies.

A case in point is the Poseidon Principles, where banks have unilaterally decided to link lending to environmental criteria.

The Sea Cargo Charter brings energy majors and cargo interests together in a full disclosure pledge that assesses alignment with decarbonisation targets.

Meanwhile, Maersk has decided to go it alone for a zero-carbon future, without waiting for the rest of us.

All three steps are commendable in isolation, but we must avoid the unenticing prospect of hugger-mugger descent into national and regional rules and private initiatives, which carries dangers of its own.

In an industry split between thousands of owners and an agglomeration of trade associations, avoidance of such an obviously undesirable scenario means that the International Maritime Organization will have to take a lead. No-one else can.

The good news is that very act of co-ordination will likely multiply the benefits and maybe even bring down costs.

Climate change will be a central issue in world politics in coming decades. This one isn't just going to go away, and shipping can't just hide in a corner and hope nobody notices.

Put simply, we can't engage in damage limitation just by shelling out for a couple of thousand acres of new forests. The time for a collective decarbonisation endeavour is before the tumbrils roll.

WHAT TO WATCH:

Container lines warned over US exports

CONTAINER lines could face additional regulatory burdens in the US if the supply chain issues surrounding containerised agricultural exports are not resolved.

Speaking in a webinar hosted by the European Maritime Law Organisation, former Federal Maritime Commission member William Doyle warned that the power of the farm lobby was not to be trifled with.

“If you want to work with any administration, whether it is Republican or Democrat, our number one priority in the US is our export products,” said Mr Doyle, who is now executive director of the port of Baltimore.

“The agricultural industry and the famers hold a lot of sway and they need to get their products into the world market.”

Agricultural producers have become increasingly frustrated at the lack of available containers for exports

They have claimed that carriers are prioritising the return of empties that can be restuffed for lucrative head haul services over lower-value back haul export cargoes.

One shipper recently claimed that the pandemic-driven congestion in the supply chain had been a “disaster” for US exporters

“Three out of every four boxes leaving Los Angeles and Long Beach are empty,” said April Zobel, export traffic manager at agricultural goods exporter The Andersons.

“Coupled with the number of vessels that are sitting at port across the network, it has really become a disaster for the US exporter. Every stakeholder in the agri-business and more broadly in the US export sector is feeling the impact.”

Propelled by unhappy voters, US legislators have called on the FMC to investigate the blocking of US export cargoes by carriers.

Surging demand for imports has led to congested ports and inland supply chains, which in turn has reduced turnaround times for container equipment.

This in turn has led to a shortage of containers in Asia’s export markets, a factor behind the recent record high spot freight rates.

For carriers to mitigate that demand issue requires a fast return of containers on the backhaul, often at the expense of waiting for containers to be filled with export produce.

But the World Shipping Council rejects claims that exports are being affected and carriers say terminal congestion is the main factor in the shortage of export space.

Nevertheless, Mr Doyle warned that a solution must be found.

“What I would recommend on the ocean carrier side is that we find ways and solutions to get those agricultural products from middle America to the west coast, find those containers and get them filled with agricultural products and get them on to the world market,” he said. “Because what you’re going to be faced with if we don’t is legislation.”

Laws could be introduced to “enforce and ensure” that products were put in containers and that empty containers are not the first priority going back to Asia, he added.

“I think it is time to do that,” Mr Doyle said. “A working group could be put together between port authorities, the shippers, the carriers and agriculture. Time is of the essence. It is very important that we pay attention to our export market.”

Divided US united in bipartisan support for Jones Act

SUPPORT for the Jones Act from across the US political divide should ensure the controversial law that shields domestic shipping trades from foreign competition remains on the statute book.

That is the view of several US experts who note that former President Donald Trump and his successor, Joe Biden, have given their backing to the Jones Act, albeit for different reasons.

"I do not think there are any changes in the offing," Federal Maritime Commissioner Carl Bentzel said during a webinar hosted by the European Maritime Law Organisation.

Likewise, former FMC commissioner William Doyle, who is now executive director of the Maryland Port Administration in Baltimore, said he did not expect to see any change under the new administration.

President Biden issued an executive order soon after taking office in January stating that the Jones Act would be upheld.

Speaking at the same event to review US maritime policy under the new administration, former Maritime Administration deputy administrator Rear Admiral Michael Rodriguez predicted that, if anything, the Jones Act was likely to be even more strongly enforced than in the past.

Outside the US, the Jones Act is regarded as a highly protectionist piece of legislation. The federal law, which forms part of the Merchant Marine Act of 1920, requires goods shipped between US ports to be transported on ships that are built, owned and operated by its citizens.

Numerous efforts over the years to have the law abolished or amended have failed, with the US even refusing in the past to allow the Jones Act to be brought up at the World Trade Organisation.

It has bipartisan backing in Congress, Rear Adm Rodriguez noted, with support from both the military and organised labour bringing together Republicans and Democrats in a rare show of unity.

Mr Bentzel also noted that the Biden administration had reviewed policies regarding offshore energy installations and clarified that they would be covered by Jones Act rules, thus "expanding" their application.

The commissioner said he did not regard the Jones Act as an issue as far as international trade was concerned.

Companies operating in the US domestic trades "have to comply with US laws on labour, health, and safety," he continued.

Any steps taken that would make it easier for people to work domestically in the US were unlikely to be regarded favourably, said Mr Bentzel. "So I don't think there would be much appetite for any changes."

Mr Doyle concurred, noting that the Buy American policy of the White House included the Jones Act.

He also challenged the perception that US flag operators with ships covered by the Jones Act did not invest in new tonnage. "They are investing and our shipyards are doing very well, building ships," Mr Doyle said.

In particular, the dredging industry is in the midst of a $2bn newbuilding programme in the US.

Mr Doyle also said he did not regard international trade and the Jones Act as being at odds with each other.

US ports wanted to handle as much international commerce as possible, he said, but the Jones Act "needs to remain when comes to domestic trade, domestic dredging, domestic marine construction, domestic transportation of petroleum products, and domestic transportation of containers."

OPINION:

Decline in number of overdue seafarers does not signal end of crisis

THE number of seafarers working past their contracts has fallen to about 200,000, according to International Chamber of Shipping estimates

But the industry group warns the crewing crisis is far from being resolved.

The latest figures, based on conversations with owners and managers, represented a "marked reduction" from the 400,000 thought to be trapped at the peak of the crisis, in May last year.

The chamber says there is little cause for celebration, with travel curbs tightening in response to fears about new coronavirus variants and fears seafarers will miss out on vaccines without international action to reserve their supply.

"The crew change crisis is not resolved but has reached a situation where it has been more manageable," said its secretary-general Guy Platten. "However, there is great concern over the increased travel restrictions being imposed by governments in response to new variants. Seafarers must be designated as key workers. The crisis is still ongoing and we will not let up our efforts."

The chamber said 55 countries had classed seafarers as key workers and governments had failed to protect their rights under the Maritime Labour Convention.

International Maritime Organization secretary-general Kitack Lim said there was a long way to go to resolve the crisis and urged more countries to declare seafarers key workers. He said they should also prepare for the challenges of vaccinating seafarers.

"We need to continue to work together to develop relevant protocols and guidance around vaccine certification," he said. "This is particularly important as any barriers to travel created by national vaccine protocols may further complicate an already difficult crew-change situation."

International Transport Workers' Federation general secretary Stephen Cotton said unless governments gave seafarers free movement and priority vaccine access "the situation could easily spiral out of control yet again".

Francesco Gargiulo, chief executive of the International Maritime Employers' Council, said there had been a lull in crew changes at the end of the past year, since when several countries had re-introduced restrictions because of new coronavirus variants.

"While 200,000 is much better than the peak, it is also worse than it was in late December and the trend is worsening every day," he told Lloyd's List.

Mr Gargiulo said the Philippines had capped arrivals at Manila back to 1,500. India and Indonesia now require a PCR swab test before a crew can board a repatriation flight.

This was hard to provide for companies looking to transfer people straight from the ship, since the ship had to stay still during the wait for their test results.

"To make matters worse, Singapore wants the above tests to be done in the previous port, which is almost impossible in many cases," he said. "All of this is resulting in a slowdown in crew changes in the Philippines, India and Indonesia, which are huge manpower supply countries."

Shipping groups have voiced fears that rules mandating vaccine passports will disadvantage seafarers, who tend to come from poorer countries at the back of the line for vaccine supplies.

Imec has also warned that the Philippines risks losing seafaring work to other crewing nations because of the crisis, after overseas deployments plummeted.

ANALYSIS:

Easing congestion brings Asia-Europe spot rates off the boil

SPOT rates on the Asia-Europe trade lost further ground this week, in a sign that supply chain disruption could finally be easing on the east-west routing.

Cargo backlogs, port congestion and equipment shortages have caused havoc on deepsea routes since the end of the past year, driving freight rates to historical highs on numerous trades.

The post-Chinese New Year period, a notorious slack season for container shipping, was earmarked as an opportunity to readdress these supply chain imbalances.

Although Asia-Europe spot rates were largely unmoved in the immediate post-Chinese New Year period, developments in recent weeks point to the industry finally getting a grip of the situation.

The Shanghai Containerised Freight Index shows spot rates from China to northern Europe falling to $3,665 per teu, down 10.8% on its value heading into the Chinese New Year. During the same five-week period, China-Mediterranean spot rates have dropped back 8.9% to $3,901 per 20 ft unit.

An easing of congestion on the Asia-Europe trade has also been helped by weaker demand sentiment.

Recent reports have highlighted a significant downturn, suggesting a continuation of softening volume growth stated in the latest official figures by Container Trades Statistic for January.

The Shanghai Shipping Exchange, which publishes the weekly SCFI, noted this week that there were major improvements to overall supply chain efficiency on the trade, where advanced stock volumes have been cleared and capacity is now further aligned with demand.

With utilisation from Shanghai to European destinations at maximum capacity just a few weeks ago, the SSE services are now sailing at between 90%-95% full.

Despite spot rates showing signs of weakening, freight prices remain extraordinarily high. Asia-Europe rates are still three times higher than this time in the past year.

Pressure is being alleviated from supply chains, but the industry is still paying catching up and it could be some time yet until rates return to a ‘normal’ level.

While Asia-Europe spot rates are coming off the boil, transpacific rates remain resolute.

Since the Chinese New Year, the SCFI has gauged little movement in spot prices for cargoes to either the US west or east coast from the Far East.

At $3,984 per feu on the China-US west coast route this week, this is 0.4% higher than its level five weeks prior. Similarly, China-US east coast rates have fallen by a minimal 0.1% in the same period to its current level of $4,795 per feu.

The SSE reports vessel utilisation is still at a maximum capacity amid unrelenting demand, spurred further in recent weeks by new US economic stimulus packages implemented by the Joe Biden administration.

This in turn has done little to take the strain off US port congestion or speed up the circulation of containers.

Until these issues are resolved, transpacific shippers will continue to pay a premium.

MARKETS:

Western Bulk sees firm market through 2021

WESTERN Bulk, an operator of handysize and supramax vessels, is expecting the market to remain firm through the year due to strong demand from China and recovering demand from elsewhere.

“China, along with a few Asian economies, is expected to support the Pacific market throughout most of 2021, while economies in the Atlantic region are expected to gradually recover from the pandemic and drive demand for the dry bulk market towards the second half of 2021," the Oslo-based company said in its annual report.

Demand for bulkers is expected to grow by about 3.5% this year, driven by coal and minor bulk flows, which are estimated to rise by more than 4%.

Iron ore trade is projected to grow by some 2%, while grains will slow to about 2%, from a heady 6% last year.

The dry bulk fleet is expected to expand by less than 2.8% this year, due to a record low orderbook.

Western Bulk currently operates a fleet of 110 vessels, mainly fixed on short-term contracts, carrying minerals, timber, cement, bauxite, steel products, grains, and coal, among others.

The company posted a full-year net profit of $3.2m versus a loss of $38m in 2019.

In the first half of 2020, it recorded a net loss of $2.9m, attributed to the lowest freight rates since 2016, but recovered to a net profit of $6.1m in the second half of the year, due to "period vessels carrying spot cargoes in a rising Atlantic market".

Chief executive Hans Aasnæs said so far in 2021 it has repositioned vessels and "built optionality" for the second half of the year.

"With our cultural and organizational changes, combined with improved tools for decision making, the prospects for 2021 are promising," he said.

The company has added operations heads in Singapore and Oslo, and has established a separate tonnage desk to improve vessel performance.

Over time, it aims to develop "world class competencies and tools for relative pricing of vessels, vessel selection and vessel optimisation".

OTHER NEWS:

Bunkerers hit back at VLSFO vilification

THE bunkering industry has hit back at unfounded criticism of very low sulphur fuel oil, saying its "continued vilification" is based on misconceptions and falsehoods.

In a lengthy rebuttal, the International Bunker Industry Association said concerns from some in the industry about off-spec fuel, black carbon pollution, and engine problems were based on inaccurate or incomplete information.

Unni Einemo, the trade body's director, said VLSFO was no more likely to be off-spec than high-sulphur fuel oil and did not emit more black carbon pollution. She said claims there was no specification for VLSFO were also false.

MOL makes a foray into liquefied CO2 shipping

MITSUI OSK Lines plans to enter the liquefied carbon dioxide shipping business with an investment in a Norway-based shipmanagement company.

The move is part of the Japanese shipping major's management strategy that focuses on the development of emission-free business, it said in a statement.

It will invest in Larvik Shipping, which has managed liquefied CO2 tankers serving Europe for more than 30 years, with a track record in safety and cargo-handling experience. Financial details were not disclosed.

Equinor looks to fuel-efficient charters in decarbonisation push

EQUINOR, the Norwegian energy provider, is hiring fuel-efficient ships to meet its shipping decarbonisation commitments.

The company, which has committed to halving its global maritime emissions by 2050, said it has long-term contacts with 30 energy-efficient ships and has agreements to take in another 10 that are coming into operation by 2022.

"We focus on fuel efficiency when entering new vessel contracts; incentive schemes further encourage suppliers to ensure fuel-efficient operations," it said in its latest sustainability report.

Chartworld orders four containerships at New Times

CHARTWORLD Shipping has confirmed it has placed a landmark order for four 13,000 teu containerships at New Times Shipbuilding.

The vessels are the largest containerships ordered by the Kollakis family company while also being the largest to be constructed at the Chinese yard.

Chartworld is an existing client of New Times, which is currently building a series of aframax tankers for the Greece-based owner.

US threatens sanctions over Russian gas pipeline

THE US has warned "any entities" working on Russia's Nord Stream 2 pipeline to abandon their efforts "immediately" or risk sanctions.

"Nord Stream 2 is a bad deal — for Germany, for Ukraine, and for our Central and Eastern European allies and partners," Secretary of State Antony Blinken said, adding the State Department is "tracking" efforts to complete Nord Stream 2 and "evaluating information" regarding entities that appear to be involved.

Mr Blinken warned that "any entity involved in the Nord Stream 2 pipeline risks US sanctions and should immediately abandon work on the pipeline".

Vopak eyes LNG import terminal in Australia

VOPAK, the Dutch storage firm, has entered the race to develop a liquefied natural gas import terminal in Australia.

The company said it has signed memoranda of understanding with several undisclosed gas market participants in support of its proposed project at Port Philip Bay in Victoria.

The project, to be based on a floating storage and regasification unit, will be similar to five other LNG import terminals co-owned by Vopak in the Netherlands, Mexico, Pakistan and Colombia.

Classified notices follow