Due to the Easter public holidays, the Lloyd's List PDF will not be published again until Wednesday, April 7

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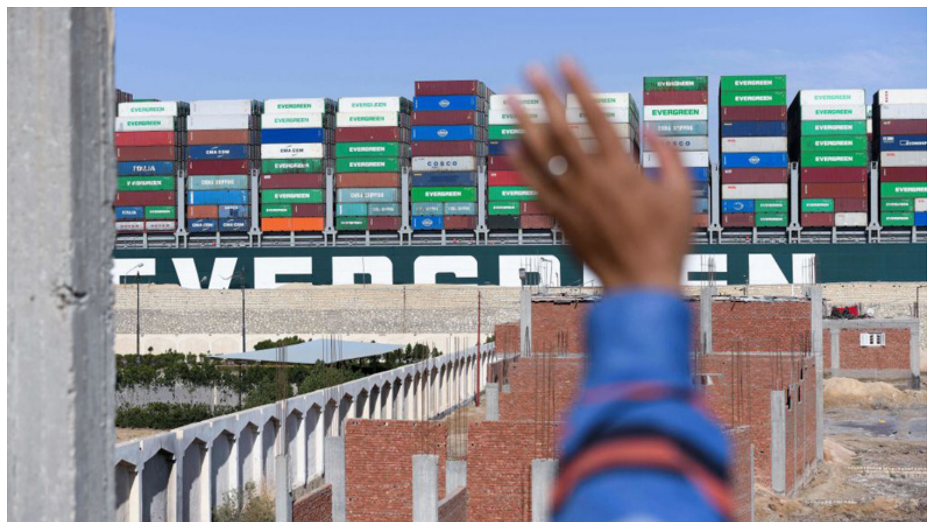

THE SHIPPING INDUSTRY complains it's an invisible and unrecognised key component of global trade.

Yet when it mattered and something significant happened to focus the eyes of the world on shipping, where were the executives of the companies involved in the containership *Ever Given* grounding at the Suez Canal?

They were hiding behind press releases and crisis managers.

Unlike other transport sectors where it would be unthinkable not to get out in front of the world's media, Evergreen, Shoei Kisen Kaisha, Bernard Schulte Shipmanagement, UK P&I Club, and Boskalis/Smit Salvage all avoided putting their heads above the parapet.

Such behaviour should not be tolerated. An airline chief executive would be expected to conduct media interviews in the event of a serious aircraft accident.

Yet aside from a short Japanese-language press conference from Sheoi Kisen Kaisha, and one interview from Boskalis, the shipowner, container line, shipmanager, insurer and salvor all kept their profiles low and did not conduct media interviews.

Instead, they paid public relations managers and crisis managers to field hundreds of media queries from around the world and distribute limp and lazy daily updates from posts on their website that revealed little about the situation and a lot about the opaque world of shipping.

When shipowners next bleat that nobody takes notice of them when they try and lobby for a resolution to the crewing crisis that has 200,000 seafarers still trapped on ships, please remember the Ever Given.

You had your chance to get in front the world.

You had your chance to tell them that $9.6bn in global containerised trade transits through the Suez Canal daily.

You had your chance when you were on the front page and leading news bulletins to show a face and show why the international maritime sector matters.

It's not possible to pick and choose the circumstances in which shipping gets front-page exposure. This was a 'negative' story in some ways.

But the same public relations executives paid to hide you all from the media could have devised some messaging to combine with any update.

Even using that $9.6bn figure during the delivery of messages about the ongoing salvage operation subtly underscores shipping's role in global trade and fans greater understanding and recognition.

By dealing with the media, executives from the companies involved would establish contacts, become familiar with big broadcasting names, and understand that journalists are not to be avoided but embraced.

An opportunity to engage, learn and become comfortable with media attention, field the tough questions, understand the processes and thinking behind such scrutiny was wasted.

A better one may not come the way of the international maritime community again. And for this, Evergreen, Sheoi Kisen Kaisha and Bernard Schulte Shipmanagement, should be ashamed.

None of you can complain that the world's governments don't listen to shipping if your executives want to pick and choose when they engage. The media was ready to listen to you over the last week and give you a profile. They may not be ready again.

This absence of meaningful engagement also created an information vacuum into which the inevitable fake news emerged. Silly stories of nuclear weapons on board the containership proliferated that could have been swiftly shut down.

Yukito Higaki, Chang Yen-I, Chang Kuo-hua, Ian Beveridge, Peter Berdowski, and Hugo Wynn-Williams (shipowner, container line owners, shipmanager, salvor and insurer respectively) – you have blunted the ability of the maritime industry to successfully lobby the world's governments when things go wrong.

There are 200,000 seafarers with contracts past due who are stuck on ships while many countries face a third wave of coronavirus and vaccine nationalism takes hold around the world.

You've done them and all of those hardworking people in the maritime industry a significant disservice with your cowardly and ineffective approach in a crisis.

There are many lessons to be learned from the Suez canal grounding of the Ever Given. Lloyd's List hopes this is one.

WHAT TO WATCH:

Maritime Markets Outlook: Shipping's game of snakes and ladders

FORECASTING shipping is easy enough. You need to calculate the balance between supply and demand in any given market and then factor in the random shocks and predict the un-predictable events that disrupt this otherwise simple equation. Simple really.

On the long list of scenarios that could disrupt shipping markets on a daily basis, the prospect of a giant containership pulling a U-turn in the Suez Canal and blocking 13% of global trade for a week was perhaps not expected, but it was not unprecedented.

The Suez Canal has a reasonable safety record befitting it's well understood status as a global economic chokepoint, but of the 75 reported incidents in the past decade 1 in 3 of them were groundings.

The fact that one of these has not blocked global trade before now is largely a matter of chance.

Big ships create big problems — that much we knew. A hypothetical worse-case loss scenario involving the collision and grounding of two large container vessels, or a container vessel and a cruiseship, could result in a $4bn loss according to the disaster scenarios played out regularly by insurers.

But nobody had run the numbers on what would happen if that incident occurred in the middle of a global economic chokepoint.

Ordinarily, of course, a grounding would barely warrant a mention in industry news, but this unfortunate series of events exposed the fragility of global trade and dominated global media output for over week as a result.

It sparked a somewhat terrified line of questioning from governments, mainstream media and consumers who had previously failed to consider the inherent risk built up in a globalised supply chain built of cheap transport and just-in-time delivery.

If a single ship can bring the world to a halt after a strong gust of wind, what other outliers threatening our economic stability have we not been worrying about sufficiently, was the general line of inquiries hitting the Lloyd's List news desk within hours of the *Ever Given* lodging itself firmly into the banks of the Suez Canal.

So, for this month's edition of the Maritime Markets Outlook our regular team of shipping analysts consider the fallout from the Suez shutdown but then take a look through the some of the other potential pitfalls that should be on the list of likely disaster scenarios.

Modern risk analysis would consider game theory in modelling the long list of Rumsfeldian known knowns and known unknowns, but the Lloyd's List team has applied a more analogue form of game theory to problem in this edition.

Consider the long list of geopolitical and 'black swan events' that could potentially disrupt the markets or take a chokehold on global supply, and then place each of them on a Snakes and Ladders board game. Roll the dice and see where you land.

Will your double six see you hit relaxed sanctions releasing tonnage into the market and force you to slide down the snake, or will you land on more supply chain congestion tightening tonnage and buoying freight rates up the ladder?

It all rest on the roll of the dice.

Calculating vessel supply at 'x' and demand at 'y' using economic modelling to forecast is no longer the issue. Lloyd's List has argued in our market outlooks for some time now that exogenous events are dominating the industry's fortunes more than any internal maritime matters.

News that global trade relies on the shipping's ability to manage the proverbially unpredictable oceans may have come as a shock to the rest of the world, but the shipping sector should be ready to weather rough crossings on a regular basis.

While our snakes and ladders game this month is a light-hearted look at the inherent risk of maritime markets there is a serious need to take a more details look at the long list of things could go wrong and consider plans to mitigate that risk.

Uncertainty, as the cliché has it, is the only certainty we can rely on.

Suez Canal seeks billion-dollar payout over closure

EGYPT is looking to claim around $1bn in compensation for the casualty that closed the Suez Canal for six days last month, the head of the Suez Canal Authority said.

The money relates to lost income from transit fees, damage to the canal during the dredging and salvage efforts, and equipment and labour costs, Osama Rabie said in a television interview.

He did not specify against whom the compensation claim would be lodged, although liability costs are usually paid by their protection and indemnity insurer.

The sum Mr Rabie appears to have in mind will come as a shock to many marine insurers, who had been bracing themselves for a big bill, but not on anything like this kind of scale.

In private conversation, expectations have so far been limited to the low hundreds of millions.

Ever Given (IMO:9811000), the boxship whose grounding caused the shutdown, is owned by Shoei Kisen Kaisha of Japan, and was on charter to Taiwanese operator Evergreen at the time of the incident.

Evergreen Marine president Eric Hsieh has said publicly that there is "almost no chance" that his company will have to pay out compensation.

Shoei Kisen has confirmed that it is set for discussions with the SCA but declined to offer any more details.

The vessel was entered with the UK Club, which would be on the hook for the first $10m of any claim, with the next layer up to $100m held by the clubs collectively through the International Group pool scheme.

Claims of eight figures and above enter the reinsurance layer, which will see the pain shared out across the re market.

But even if IG exposure is limited to under $100m, split 13 ways according to a weighted formula, the development would be extremely unwelcome at a time when the pool is running at a record level, and has driven hefty rate hikes at the past two renewal rounds.

The IG did not immediately respond to a request for comment. However, it is understood that the liability outlook for P&I clubs has yet to be discussed among the upper echelons.

A senior source in the P&I sector said that the Suez Canal Authority has a reputation for presenting inflated salvage claims, even for small jobs.

"I suppose they'll try and dress up this claim, but I'm trying to rationalise this myself," he said. "It will come down to regulations and the terms entered into for transit, but do you really think they lost a billion dollars in six days?"

Given that the canal generates an annual revenue of $5.7bn in 2019-20, even $110m would exceed the loss of revenue from a one-week closure, and it is difficult to imagine the cost of salvage at more than tens of millions of dollars.

But observers have pointed out that the canal is Egypt's biggest earner of foreign exchange, and the government of military strongman Abdel Fattah al-Sisi may be keen to bring in whatever hard currency it can to offset the loss tourism revenues in the wake of the pandemic.

Meanwhile, experts are starting to come to terms with some of the legal questions facing hundreds of ships caught up in the fallout from the grounding.

These include deviation, delay and charterparty/contractual issues such as time charters, voyage charters, force majeure and frustration of contract.

Some of them are outlined in a briefing produced by West of England Club senior underwriter Suumit Madhu and head of claims Enam Hussain.

Carriers are under the obligation to proceed with due dispatch on the usual route without any unreasonable deviation or delay.

If this route is blocked, a deviation can rise where the vessel geographically departs from the usual route to arrive at the intended destination.

The Hague Visby Rules state that "any deviation in saving or attempting to save life or property at sea or any reasonable deviation shall not be deemed to be an infringement or breach of this Convention or of the contract of carriage, and the carrier shall not be liable for any loss or damage resulting therefrom".

But different jurisdictions provide different interpretations of this provision, which leads to uncertainty.

The consequences of an unreasonable deviation may be loss of rights and limitations under Hague Visby Rules and potential loss of P&I cover for amounts over and above those payable if those rights and limitations had been maintained.

In the opinion of the authors, deviation from the geographical route through the Suez Canal because of a grounding is not a deviation for operational and commercial benefit, but to prosecute the voyage safely and effectively.

There is therefore prima facie no breach of the contract of carriage, and West has decided in principle to hold its members covered without additional premium for deviation via the Cape of Good Hope.

On charterparty and contractual issues, the legal position will vary on a case-by-case basis, depending on specific contracts.

Appeal to contractual and common law protections will depend on the objectives of charterers and/or owners, most importantly whether they wish the charterparty to continue.

Reed Smith shipping lawyers Nick Austin and Antonia Panayides said losses and claims will take time to crystallise, and will be determined by the relevant charters and contracts.

"Owners may face cancellation where vessels are unable to meet charter laycans. Time charterers may try to avoid hire and cargo interests may be concerned about lost markets at destination," they said.

Box carriers expect Suez backlog to clear by weekend

CONTAINER lines expect the backlog of boxships waiting outside the Suez Canal to be cleared by the weekend, as the number of daily transits are increased to accommodate delayed traffic.

According to data from canal agent Leth Agencies, 87 ships will transit today in four convoys.

Two southbound convoys of 25 and 17 vessels will depart, starting at 0100 hts and 0930 hrs, while two northbound convoys of 15 and 30 units will depart from the Suez anchorage at 0500 hrs and 0900 hrs.

The number of transits is significantly higher than the five-year average of 48 vessels a day in total, but below the canal's theoretical maximum.

When the canal extension channel was opened in 2015, the Suez Canal Authority said it would allow up to 97 transits per day, although that number has never been achieved

Hapag-Lloyd said the two ships in its fleet that transited the canal yesterday had now commenced their sea passages and that the remaining three waiting were expected to pass the canal in today's convoys.

CMA CGM said it was monitoring the actions taken by the canal to effect a "complete return to normal operational conditions".

"The capacity of a daily convoy remains estimated at 80 transit per day (in and out) and the situation may change depending on further development," the French carrier said. "We expect that the southbound backlog will be cleared by tomorrow, April 1, and the northbound backlog by Friday, April 2."

Earlier, Maersk had said it and its partners had 17 vessels waiting at anchor.

"Based on this, and a steady flow of vessels still arriving the queue, we still expect that it would take until end of this week to move the complete queue through the canal, conditional to safety and other operational circumstances."

The three lines are now looking at how to avoid bunching of vessels at destination ports now that the canal backlog has begun to diminish.

"We are closely looking at how we can adjust the network to avoid port congestions and we are so far managing to plan vessel calls without major clashes," Maersk said.

It warned that the next challenge would be to put services back on schedule.

"We have nearly 50 vessels delayed for a full week or more due to the Suez blockage, either waiting at the canal or being redirected South of Africa," it said. "When the delayed vessels start hitting the next load ports in both Asia and Europe, we cannot avoid a significant impact on our equipment availability and capacity availability in the coming period."

Hapag-Lloyd said that exact times of arrival for its vessels caught up by the blockage were still being evaluated.

"We are doing our utmost to optimise the rotations to minimise potential bottlenecks at ports and terminals."

ANALYSIS:

New efficiency measures will not radically change shipping

BEFORE ships start using low-carbon fuels, before a carbon levy and before difficult decisions are taken, shipping has a few years to ease into the future by meeting more-familiar and less-abrupt requirements.

In less than two years, ships will need to start adhering to new operational and technical efficiency measures — which, though unlikely to transform the business, will force owners and operators into some behavioural changes.

Barring any unforeseen twists, at its environmental meeting in June, the International Maritime Organization will finalise and adopt a package of two distinct yet highly connected measures. Their combined goal is to help the global fleet reduce its average carbon intensity by at least 40% by 2030 compared with 2008.

The operational efficiency measure, known as the carbon intensity indicator (CII), comes into effect in 2023 and is broadly expected to be the more consequential one, because it will force ships to monitor their annual operational efficiency and rate them from A to E, depending on that performance.

However, that regulation also has important outstanding issues that have to be resolved, including what the actual carbon intensity improvements are for ships — and what formulas will apply to each ship type.

The energy efficiency existing ship index (EEXI) is the technical measure that could come into effect as early as the fourth quarter of 2022. An exact date will be determined in June. The IMO has already provisionally agreed to the improvement rates for each vessel type.

New vessels are already bound by a technical requirement through a regulation known as the energy efficiency design index (EEDI), which has been in place since 2015 and is currently in its second phase for all ship types.

The point of the EEXI is to make existing ships as technically efficient as their newbuild counterparts and effectively lock in energy savings from the fleet. It is a one-off, meaning ships need to demonstrate compliance with the regulation during their first renewal survey after it comes into force.

Critics of the upcoming measures say they lack both ambition in terms of the actual environmental impact and, in the case of CII, sufficient enforcement; ships with poor ratings will have to develop plans on how to rectify their underperformance, but they will not be forced into retirement as many had initially hoped.

Proponents argue the measures are stringent and point to the fact that they will enable the IMO to get to its 2030 target. They also believe the rating system will incentivise better performance by owners, who will not want to see their fleet marginalised by charterers for higher-quality vessels.

Preliminary analysis of IMO fleet data for 2019 from Lloyd's Register principal specialist Matthew Williams shows that the majority of bulkers, tankers and containerships that are already meeting EEDI requirements are in compliance with the EEXI.

The picture changes dramatically, though, when considering those ships that are not covered by EEDI requirements.

Mr Williams' analysis of both EEDI and non-EEDI existing ships, based on data from the EU's shipping emissions and fuel consumption database (MRV), shows that in all three segments, the vast majority do not comply with the EEXI.

Regardless of the real environmental impact, the majority of the fleet is going to have to undergo changes.

Engine power limitation is broadly expected to be the most used tool for ships to meet EEXI requirements. This method requires the engine manufacturer to adjust a ship's maximum power, either physically or electronically, therefore also limiting its maximum potential speed and hence showing improved energy efficiency.

Star Bulk, one of the biggest publicly listed companies in the world, with almost 130 bulkers in its fleet, will rely on engine power limitations on its

ships for compliance with the EEXI, according to company chief strategy officer Charis Plakantonaki.

Bulkers are one of the ship types that already run on relatively low speeds, so limiting their design speed may have less of a commercial impact compared to other vessel segments that may have to considerably reduce their actual speeds as a result of the EPL.

"So we see that in the vast majority of our vessels, the operational profile will not be impacted significantly," Ms Plakantonaki said.

The EPL is not the only tool at a shipowners' disposal. Giulio Tirelli, business developer director at technology vendor Wärtsilä's Marine Business division, said EPLs will be a major contributor to EEXI requirements — but not the only ones.

Shipowners can also retrofit their ships with energy-saving technologies. Mr Tirelli said these are divided between those that address power on board, such as the main engines and auxiliary engines, and equipment that affects the propulsion.

Among these measures is the use of air lubrication systems, especially for cruiseships, according to Lloyd's Register marine and offshore director Mark Darley.

Yet for some, the relatively unobtrusive nature of EPLs and the lack of investment required means they may be the sole option.

Star Bulk will consider selling or scrapping those ships for which EPLs may not be enough to meet EEXI requirements, according to Ms Plakantonaki.

A new regulation like the EEXI that targets the existing fleet should, in theory, send more ships to recycling yards as owners decide they are not worth the added costs.

However, shipping executives and technical experts agree that the EEXI alone is unlikely to lead to any meaningful scrapping, beyond clearing out the bottom of the barrel in terms of vessel quality and age.

"It will trim the fleet, rather than reform the fleet," Mr Darley said on the EEXI.

The ability for many to comply through relatively simple processes like EPLs means the EEXI will not radically change the profile of the fleet.

"Basically, the industry will get rid of the least-efficient vessels," said Ms Plakantonaki.

Nonetheless, scraping the bottom of the barrel could have more of an impact than the numbers suggest; as Ms Plakantonaki noted some of these older, inefficient ships may be among the most polluting.

Hafnia chief executive Mikael Skov believes that although general environmental regulatory pressures will cumulatively push scrapping for certain ship types, the EEXI individually is unlikely to have an impact.

"I don't think the EEXI on a standalone basis would accelerate scrapping," Mr Skov told Lloyd's List.

What limited effect EEXI will have, however, will be compounded by CII, which observers agree will be a bigger driver for scrapping because it targets the operations of the ship.

Yet with the all-important details on CII implementation still undecided, the extent of that impact is hard to determine at this stage.

Shipping has seven months to show decarbonisation progress

WHEN governments meet in Glasgow in late November for the most important environmental conference since the 2015 Paris Agreement, shipping will not top the agenda — but it will be an easy target.

COP26, officially the 26th United Nations Climate Change Conference, will see countries negotiate strengthening commitment and present plans to combat climate change for the first time since the landmark agreement to restrict global warming at 2015's COP21 held in Paris.

In the course of a likely hectic and tense 12 days in the Scottish city, governments will also scrutinise the progress the International Maritime Organization has made in decarbonising an industry that contributes to just under 3% of global greenhouse gas emissions.

Those close to COP26 do not believe progress has been adequate.

Peder Osterkamp, shipping lead for COP26 climate

action champions — tasked with bringing together non-state actors like businesses, cities and non-governmental organisations to mobilise the race to zero emissions and climate adaptation and mitigation — believes that the IMO has not done enough in practice.

"It is time to be clear that every sector needs to decarbonise by 2050. There is no exception," Mr Osterkamp told Lloyd's List.

In the almost three years since the IMO adopted its initial strategy to tackle GHG emissions and committed to reducing its GHG emissions by at least 50% by 2050 compared to 2008, global pledges of net zero emissions by the middle of the century have become the norm.

The IMO's 2018 initial GHG strategy does, in fact, aim for emissions reductions consistent with Paris Agreement temperature-reduction goals.

However, Mr Osterkamp said the action it has taken so far — especially when it comes to short-term measures — has been far from impressive.

Mr Osterkamp's assessment will be hardly surprising to those in tune with high-level external commentary aimed at the industry.

UN secretary-general Antonio Guterres said in December 2020 that current regulations in shipping are not compatible with ambitions to deliver zero-emissions ships by 2030 and need to be strengthened.

If governments and COP26 echo this sentiment in November and decide the IMO has not been pulling its weight, Mr Osterkamp warned that could change how shipping emissions are regulated.

"It might not be that the IMO has the monopoly forever," he said.

Much like other industries, a mentality shift in shipping has been evident — at least from the larger stakeholders — as well as commitments for zero-emissions ships by 2030, pledges for net zero emissions and greater requirements from lenders and charterers.

Yet the global face of shipping is still the IMO, and there is no greater proxy for progress in shipping decarbonisation.

The reprimands coming from outside the sector can, at times, feel strange and confusing. Some of the governments that regulate shipping through the IMO will be the same ones likely chastising the industry in Glasgow later this year.

Part of that may be the discrepancy between transport officials at the IMO and environment officials crafting climate policy at home, who can also increasingly be seen at the IMO. Part of it may also be the influence that industry and corporations have at the IMO.

Arguably, though, it is also down to the distinct lack of attention that governments pay to shipping, with its mostly non-existent voting constituents, unless it suits political ends.

Shipping may be a unique and idiosyncratic industry and the long-established grip of the IMO on its regulation, including its decarbonisation, can create a false sense of isolation and insulation from the machinations of global geopolitics.

Aside from countries potentially committing to higher reductions of their domestic shipping emissions, COP26 will likely result in greater direct pressure on shipping and the IMO to act faster on emissions cuts than their current plan, devised three years ago, dictates.

This is the sort of higher-level action that would be difficult to ignore and could be a catalyst for a different pace of regulatory action seen so far, ultimately culminating into a commitment in 2023, when the IMO reviews its strategy for full decarbonisation by mid-century.

However, COP26's impact may become apparent immediately.

When the IMO's Marine Environment Protection Committee meets in June, regulators will want to wrap up the short-term technical and operational efficiency measures on shipping emissions, which the industry argues are even more vital and challenging, despite claims from environmentalists that they are insufficient and weakly enforced.

As the dust settles on those measures, the MEPC will have to tackle a much thornier matter and address a new proposal by the Marshall Islands and the Solomon Islands to impose a $100 levy per tonne of CO_2 equivalent on all ships by 2025.

The proposal by the two Pacific island nations well and truly pushes the sector beyond maritime lines — and, in some ways, is an appropriate precursor to COP26.

Two countries endangered by climate change are broaching a very uncomfortable but key tool in shipping decarbonisation, a global fuel tax, while demanding the majority of the revenues go to climate change-related purposes, not to industry projects and financing.

Shipping is the target, but the geopolitical and financial implications will not be lost on anyone.

The levy will not be endorsed or rejected by the IMO MEPC 76 in June. Yet how delegations respond will send a message as to how governments feel about the prospect — at least today — of going down a path that many in the industry deem necessary to enable energy transition.

The IMO needs to show the world that it is intent on moving in the direction of a carbon levy and commitment for a decarbonised industry by 2050, by demonstrating progress in the discussions of this proposal, according to Mr Osterkamp.

"Any industry that wants to be seen as a positive contributor to the transition will need to have something to say at COP26," he said.

As luck would have it, the five final days of COP26 coincide with MEPC 77. Any conclusion or recommendation from the former will likely feed heavily into the discussions of the latter, where market-based measures could take centre stage.

Trafigura global head of fuel decarbonisation Rasmus Bach Nielsen believes the IMO needs to urgently discuss the carbon levy proposal. COP26 could be a big push in this direction.

"We believe the carbon levy discussion is taking higher and higher priority and that at COP26, many leaders will realise that the required action to decarbonise shipping is a global carbon levy," he recently told Lloyd's List.

He believes — and hopes — that as a result, at MEPC 77 a number of countries will be able to support a carbon levy.

The IMO will grab much of the maritime spotlight in Glasgow, but eyes will also be on the industry's track record.

Several cross-sector initiatives — including the Getting to Zero Coalition, which targets the commercial deployment of zero-emissions ships by 2030 — are evidence that some in the industry are working on a viable pathway.

However, more companies could be setting net zero emissions targets ahead of COP26, according to Mr Osterkamp. The COP26 climate action champions want to see companies accounting for 20% of revenues across their sectors taking the carbon neutrality pledge.

More concrete commitments are also needed on other fronts, such as from shipowners to zero-emission-ready ships and cargo owners to paying cost premiums to finance transition, as well as the development of the first zero-emission shipping routes, he added.

Seven months is still a long time for an industry whose mentality has changed radically in less than three years.

Waiting on the carbon offset boom

THE carbon offset market is expected to grow into a multibillion-dollar industry during the next decade.

For shipping companies, that is both an opportunity to access a largely untapped resource to reduce their emissions footprint — and a challenge to navigate through a market that is still fraught with credibility issues and often viewed with suspicion.

Shipping companies have already used offsets, but it has been limited; more recently, Navigator Gas offset the emissions of one of its voyages by financing a solar panel project in the Philippines.

However, it is similar actions taken by energy providers such as Occidental, Total, Shell and Repsol, who have rolled out "carbon-neutral" shipments of oil or liquefied natural gas using carbon offsets over recent months, that have raised eyebrows.

Carbon offsets allow an entity like a company to compensate for its emissions by financing an external emissions-reducing or saving project. That project can issue these carbon credits based on the level of its emissions savings. Each credit equals one tonne of CO_2.

There are several types of carbon offset projects that cover different activities and sectors, such as renewable energy, forestry and land use, waste and transport.

A key premise for a carbon offset-worthy project is that without selling carbon credits, it would have had trouble ever existing, because of its high costs. Another is that the emissions savings that its credits represent should be permanent.

Proponents of carbon offsets believe they can both genuinely help companies reduce their environmental impact and support the development of these projects — especially in developing or least developed countries — thus helping them reduce their direct national emissions.

Critics, however, argue that the process allows companies cheaply to pay their way out of taking concrete action to reduce their own direct emissions, while touting their green endeavours. They also believe that many projects and the market itself can be of questionable quality and integrity.

Carbon offsets can be voluntary, such as those undertaken by the energy companies above, aimed at reducing their carbon footprint.

They can also be a tool within an established carbon market that is run by governments or other authorities. One such high-profile carbon market is the UN's Clean Development Mechanism, which allows developed countries to buy offsets in projects in developing nations.

The International Civil Aviation Organization has also set up an offset scheme that has just entered its pilot phase and will become compulsory in 2027.

These mandatory carbon markets saw 10.3bn tonnes of CO2 permits traded in 2020, with a record transaction value of €229bn ($269.8bn), according to data from Refintiv.

The size and value of the voluntary carbon market is negligible in comparison — but it is on the ascent.

Ecosystem Marketplace, an environmental finance information provider, reported that in 2019, total offset transactions in the voluntary market reached a record 104m tonnes — a 6% increase from 2018.

It estimated the value of these annual transactions at $320m, the highest since 2012, but still considerably short of its 2011 peak of $602m.

More than 40% of the 2019 voluntary offsets were from renewable energy projects. Another 35% were from forestry and land use.

Wijnand Stoefs, policy officer at Carbon Market Watch, a non-governmental organisation focused on carbon pricing, said carbon offsets have become more popular during the past few years with the increase of corporate commitments to carbon neutrality.

"I don't see this ending any time soon because there is so much hype around it," said Mr Stoefs.

His premonition is in line with many projections of aggressive growth that paint the picture of a highly lucrative carbon offset market over the next decade.

The global voluntary carbon offset market today is worth around $400m, according to a recent report from Trove Research and UCL. They anticipate the same market will be worth up to $25bn in 2030.

Consulting firm McKinsey also reported the market could be worth anywhere between $5bn and more than $50bn by 2030, depending on several factors such as demand and pricing. German bank Berenberg has said the value of the market could reach $200bn by 2050.

Though voluntary offsets are experiencing a resurgence, there are perennial concerns about the voluntary carbon market's quality, which have prompted calls for a complete overhaul of the system.

This is a highly fragmented market, with no single authority or standardisation body. Instead there are several certifiers of projects looking to issue credits, which use independent auditors to verify the potential emissions savings of these projects.

Interested buyers connect with projects through various platforms that can assess how suitable they are to company requirements.

Beginning in 2021, international offsets are not allowed in the EU Emissions Trading System, the EU's carbon market that accounts for 90% of the global carbon markets in terms of value, according to Refintiv. This is clear evidence for some that offsets should not be legitimised further.

Pricing is mostly subject to individual projects and there are concerns that carbon offset prices today are generally too low, allowing companies to get off cheaply.

In 2019, the average price in the ETS market was €25 per tonne of CO2, according to Refinitiv. In the voluntary market, renewable energy projects and

forestry and land projects averaged just $1.4 per tonne of CO_2 and $4.3 per tonne of CO_2, respectively, according to Ecosystem Marketplace.

Proponents believe that if done carefully and with a robust assessment process, project carbon offsets can be a genuine decarbonisation enabler.

David Antonioli, chief executive of Verra, one of the largest developers of standards for the voluntary carbon markets, said these offsets are a great transitionary tool, especially in the absence of actual government measures.

“That starts to enable companies to make a transition to a lower-carbon future by reducing their carbon footprint,” he told Lloyd’s List.

And despite the widely acknowledged shortcomings, carbon offsets do enjoy high-level support as a concept and as a contributor to net-zero emissions from certain corners.

A dedicated taskforce led by Mark Carney, former head of the Bank of England and current UN special envoy for climate action, argued in a lengthy report that carbon offsets should be an integral part of global net zero emissions efforts.

To help out meaningfully in containing temperature increase to 1.5°C, voluntary carbon offsets should grow by more than 15-fold by 2030, the report argued.

MARKETS:

Dry bulk worst hit by ‘vaccination lottery’, says Intercargo

DRY bulk shipping is bearing the brunt of difficulties in getting seafarers prioritised for vaccinations against the coronavirus, Intercargo has warned.

“The vaccination lottery that is faced by the industry is beginning to hit the dry bulk sector hardest,” said the owners’ association, which represents 220 companies from 30 countries and has about a quarter of world dry bulk capacity on its roster.

According to president Dimitris Fafalios, the crews’ plight stems from the nature of the dry bulk shipping business.

“Bulk carriers on tramp trading call at many more ports than other shipping sectors and are at the mercy of the nationalised vaccination policy, applying at the port of call,” he said.

Several port states are insisting on all crew being vaccinated as a precondition for a vessel to enter their ports and even “insisting on a particular brand of vaccine”, Mr Fafalios said.

“While the world’s eyes were on the situation in the Suez Canal, a very real crisis has been unfolding behind the scenes, unnoticed and ignored by the world’s media.”

Intercargo reiterated calls for urgent action to coordinate a worldwide vaccination programme for seafarers under the auspices of the World Health Organisation.

“Making WHO-approved vaccinations available to seafarers in their home country is an urgent priority,” Mr Fafalios said. “Seafarers who have not yet been able to receive a vaccination should be permitted to travel to and from their country of domicile and their place of work without restriction.”

Intercargo is participating in a joint industry task force on vaccinations, led by the International Chamber of Shipping, which has produced guidance on many issues arising from vaccinating seafarers and is working on a preliminary list of vaccination hub ports.

While the numbers of seafarers effectively stranded at sea after contract expiry has declined in the past few months, Intercargo said that there are still “around 200,000 seafarers waiting to return to their homes and families”.

A similar number was waiting shoreside “to resume their livelihood and keep world trade going”, the association added.

MR tankers gain 292% in March on diesel 'export frenzy'

MEDIUM range tanker rates have gained over March to the highest levels of 2021 so far, as global diesel shipments reached a monthly record on surging Chinese exports and rising flows from the US Gulf.

Departures of diesel on tankers, including intra-country flows, reached 12m barrels per day in March, some 1.3m bpd above average volumes in 2020, a report by energy commodities analytics provider Vortexa said.

Chinese exports to Southeast Asia destinations, as well as increased shipments from the US Gulf and Europe, are mostly loaded on medium range tankers, the workhorse of the product tanker fleet.

Spot rates rose by 292% during March to reach the time charter equivalent of $10,996 per day for medium range vessels plying Atlantic trades, according to the Baltic Exchange.

Smaller gains of 66% were seen for Pacific MR tanker rates over March, which closed the month at $11,650 per day, according to the exchange's assessment.

Pacific rates had already topped $10,00 daily by early March, buoyed by Southeast Asia and China's faster economic recovery from the pandemic, which has increased demand for refined products.

Vortexa described diesel and gasoil loadings last month as an "export frenzy" attributed to rising shipments from not only China and the US Gulf, but also other Southeast Asian refineries, plus India, Russia, the Middle East and Europe.

Multiple factors pushed diesel outflows to records, Vortexa said in a report. These included expectations that diesel demand may recover as Covid-19 vaccinations rose, to fill gaps left by refinery maintenance outages, and stronger petrochemical demand.

China was said to be the biggest contributor to rising diesel and gasoil exports, with March volumes above 1.2m bpd, some 320,000 bpd higher than the 2020 average.

The boost not only reflects new refinery capacity being added in the country, but also lower domestic diesel demand and the allocation of product export quotas at the beginning of the year.

East-of-Suez demand for petrochemical feedstock such as naphtha may also lead to higher refinery runs, with additional middle distillates produced as a result adding to increased diesel flows.

European diesel departures in March were 170,000 bpd higher than the 2020 average, at 2.3m bpd.

Some 75,000 bpd of this incorporated volumes released from long-term storage in Scandinavia, according to Vortexa.

Refinery outages after cold weather in Texas temporarily shuttered capacity and boosted diesel shipments to the US Atlantic coast from Europe.

Atlantic medium range tanker rates were as low as $2,800 daily in late February.

Whether rates will continue their ascendency is unclear, as fresh lockdowns that will restrict domestic travel are announced in Europe, including a four-week closure in France, the biggest consumer of diesel on the Continent.

Combination of LNG and wind may be answer to IMO aims

A COMBINATION of liquefied natural gas engines and wind propulsion would be the ideal solution to meet shipping's decarbonisation goals, according to an industry discussion.

LNG is seen as a solution for the short and long term, over the next 10 to 15 years, said Anthony Veder Group business and fleet development manager Björn van de Weerdhof.

Speaking on a Mare Forum webinar, he said that acting now for a sustainable future was the responsible thing to do. He has several vessels running on LNG.

With a carbon levy likely coming, using LNG would lower costs, he said.

But methane slip could not be ignored and needed to be addressed. A regulatory framework needed to be built around that situation.

A system could be built that uses hybrid technology to cut methane emissions, he added.

Wind could be a possibility, he noted, although that would require a potential change in infrastructure so that vessels could fit in the terminal.

Bulker owner Olympic Vision Maritime of Greece said that LNG would not achieve the International Maritime Organization's targets, while wind was not possible for bulk carriers.

Technology needed to adapt to suit the different ship types, the company's general manager Spyridon Tarasis said. New ship designs were probably needed.

Cofco International global head of freight Alessio La Rosa said that his company had carried out studies on LNG and found that there were limited bunkering options available and few suppliers.

If placing new ship orders now, the earliest they could be delivered was 2023, which meant they would be obsolete by 2030, he said, as new fuels such as ammonia and hydrogen would likely be developed by then.

There was also a lack of clarity from the IMO, he said.

International Windship Association secretary-general Gavin Allwright said that wind technology would deliver on IMO 2030 and 2050 targets.

Wind was "a credible energy source" and the 21st century technology was in demo mode to test the solution on coastal bulkers to very large crude carriers.

Results were positive from tests on bulkers, he said, although there were outstanding questions about hinges or fixed sails, and whether they could be stored or moved to other ships.

The industry needed to focus on a propulsion-centric approach when it came to ship design rather than focusing on the fuel approach. At the moment, wind was not part of the matrix.

Sintef Ocean chief scientist Elizabeth Lindstad said that LNG combined with wind could be the solution as synthetic e-fuels were too expensive and did not make sense.

"Wind (technology) is promising and is coming," according to the scientist, who predicted it would be studied closely over the next five years.

IN OTHER NEWS:

Methane gas fuels are not just for the transition

CHOOSING the perfect fuel for the future should not be confused with choosing the best fuel for now, according to Hapag-Lloyd managing director of fleet Richard von Berlepsch.

But he admits to sleepless nights as he looks for the proper fuel for the future.

"If I had a crystal ball I wouldn't be sitting here," Capt von Berlepsch said during an online presentation.

Maritime has small place in $2trn US infrastructure plan

THE $2trn US infrastructure plan is focused on fixing roads and bridges, expanding internet access and boosting funding for research and development — but offers little for maritime.

"It's not a plan that tinkers around the edges," President Joe Biden said during a speech in Pittsburgh to unveil the American Jobs Plan. "It's a once-in-a-generation investment in America."

It includes $621bn to modernise transportation infrastructure, $400bn to help care for the ageing and those with disabilities, $300bn to boost the manufacturing industry, $213bn on retrofitting and building affordable housing, and $100bn to expand broadband access.

US ports expect little impact from Suez closure

US PORTS are not expecting any surges of ships or cargo after the refloating of the Evergreen vessel that blocked the Suez Canal for six days.

West coast and US Gulf coast ports generally are forecasting virtually no effect from the closure, while some east coast facilities may see some "bunching" of arrivals as ships stalled in Suez begin to show up — a "blip" one port director said.

A spokesperson for GCT Global Container Terminals, which has terminals in Vancouver, Canada and New York said "the impact is very low, if any, on west coast operations".

Private 5G network for Port of Southampton

SOUTHAMPTON port's operator has agreed a deal for a private 5G network with telecoms giant Verizon.

Associated British Ports said the contract would make Southampton the first UK mainland port with a private 5G network.

Verizon said the network, built with Nokia, would be faster, more secure, reliable, and customisable. It would work in selected areas of the port's east and west docks.

Navig8 joins South Korean ammonia bunkering project

TANKER owner–operator Navig8 is backing an ammonia bunkering project in South Korea.

It has teamed up with Korean Register and a design engineering firm, KMS EMEC to develop what is touted as the first tanker to bunker ammonia as well as equipped to run on the next generation fuel and marine gas oil.

KR has also granted approval in principle to the new tanker design, a statement from the South Korean class society said.

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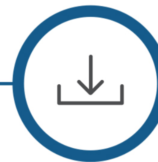

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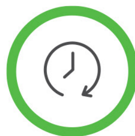

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