Monday May 17, 2021

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

Shipping's sustainability scorecard not measuring up

AN ABSENCE OF context and lack of clarity characterise the rising number of sustainability and environmental reports published by shipowners, who are keen to reveal their green credentials but unwilling or unable to fully benchmark progress against regulatory goals.

Lloyd's List analysed sustainability and ESG reports published by some 20 of the largest owners, charterers and operators and found they recorded considerable progress in curbing emissions and reducing carbon intensity.

But there were few meaningful benchmarks that accurately measured real environmental performance against International Maritime Organisation targets, and reports varied in quality — from the disingenuous, to highly selective, or reasonably comprehensive.

Some sustainability or ESG reports published a single CO_2 emissions figure, around which several thousand words were written, with little other information.

Shipowners worldwide must meet IMO targets to reduce carbon intensity by 40% from 2008 levels by 2030 and to reduce greenhouse gas emissions by 2050.

The uncertain decarbonisation path has triggered widespread debate over the use of liquefied natural gas as a transitional fuel, as well as a range of "net zero" and green proclamations.

"'Net-zero' and 'sustainability' are slippery terms," said Bryan Cromer, of the Washington DC-based International Council on Clean Transportation.

"Sustainability isn't well defined and probably we need a more quantitative analytical approach to compare typical industry practices to any new 'solution' and to compare the trade-offs between air pollution, climate pollution, and water pollution."

Danaos, Scorpio Tankers and Maersk said they had already complied with IMO 2030 targets for all of their fleet.

Danaos said targets were achieved 11 years early by slowing sailing speeds and undertaking other fleet optimisation measures, such as sea-routing optimisation, bulbous bow modifications and propeller refits.

Another company, Hafnia BW, said it was on target to meet climate change goals by 2028.

There were no details or tables given that broke down how the savings were achieved.

There are three main figures that appear to be referenced in most reports: an Annual Efficiency Ratio, the Energy Efficiency Operational Index and CO_2 emissions volumes.

The AER is reported as grams of CO_2 per tonne mile. The number is arrived at by dividing ships' annual CO_2 emissions by the distance sailed and ship deadweight, but is seen as an imprecise figure because it assumes that vessels are always laden.

The EEOI measures the CO_2 emissions per tonne of cargo moved using more precise tonne-mile calculations (which multiplies cargo by distance travelled).

The lower the figures, the better performing the ship is said to be, compared against median AER and EEOI baseline numbers for similar sized and types of vessels.

Many shipowners are only now publishing their first or second annual sustainability reports, prompted as banks move to align their ship finance portfolios against climate-change principles.

This intensified interest in benchmarking vessel performance follows the launch of the so-called Poseidon Principles for banks that rely on the AER number and set a reduced trajectory for a vessel compared to others of its size and class.

Eagle Bulk Shipping was the only shipowning company that did not provide AER or EEOI numbers in its sustainability report. Cargill Ocean Transportation, which charters some 600-plus vessels annually, did not provide these figures either.

Scorpio Tankers, Maersk, Gaslog and Frontline did not provide an AER number, but provided EEOI figures.

Whether emissions calculations are derived directly from internal data gathered on fleet performance or based on other data and modelling assumptions is not always spelled out in reports.

Shipowners currently report this highly sensitive internal data on carbon intensity to flag states under IMO regulations but it is then anonymised to ensure shipowners' fleet performance remains private.

Scorpio Tanker's first sustainability report, for 2019, said its fleet of product tankers already complied with IMO regulations for 2030.

The company did not report a CO_2 figure, but wrapped these in with all greenhouse gas emissions, saying they had fallen by 100,000 tonnes in 2019 to 2.3m tonnes based on 2018 figures.

Overall, sustainability reports also showed key differences in AER and EEIO figures for ships fuelled by liquefied natural gas. Only Gaslog, an LNG carrier owner, mentioned methane slip in its report.

"Methane leakage in the natural gas supply chain call the net benefits of this transition into question," Gaslog said in its report.

The company also provided details of methane slip per nautical miles in its report.

Maersk was the only shipowner and operator that said it would not use LNG as a transition fuel.

Teekay, an owner of both LNG carriers and tankers that has published 11 sustainability reports, signalled it was still developing a strategy to meet its 2030 targets and was struggling to meet goals.

So far, it's reduced CO_2 intensity by 20% and reported on greenhouse gas emissions, without breaking out methane or CO_2.

"We recognise that further efforts are needed to meet our 2030 targets," the report said.

The AER and EEOI numbers for LNG vessels, especially older carriers, were higher than all other vessel classes.

The lowest AER and EEOI figures reported were by DHT Tankers, which did not publish a separate report but provided the numbers on its website.

It was not clear how this AER figure of 2.08 for its fleet of older, very large crude carriers was arrived at.

Most reports didn't benchmark progress or signal if there was a number or target needed to reach by 2030 to meet IMO goals.

Maersk said it would have commercially viable "net zero" vessels in its fleet by 2030.

While it did not publish any AER or EEOI figures, Cargill's report said the agribusiness giant was advocating for a standard greenhouse gas emissions reporting process to align with Global Maritime Forum standards.

WHAT TO WATCH

Nations step up vaccinations to boost crew change programmes

EMPLOYERS and unions are planning coronavirus testing and quarantine facilities in India to help restart crew changes.

The International Maritime Employers' Council and the International Transport Workers' Federation, which set up virus hotels in Manila last year, are working with Indian shipping groups on similar facilities in Mumbai and Chennai.

The initiative is being approved under Singapore's SG-STAR crew change regime, according to IMEC chief executive Francesco Gargiulo.

They will work to restart charter flights to see if they can reassure governments enough to allow Indians to travel again. Repatriating Indians was "the hardest thing in shipping", he said.

Separately, Intermanager, the shipmanagers' trade group, has agreed to buy 1m Johnson & Johnson vaccines for seafarers, while the International Chamber of Shipping has issued a vaccination road map to help set up hubs around the world to speed up vaccinations.

India's rising infection rates led crewing hubs including Singapore and the United Arab Emirates to block crew changes for crews who recently travelled there, throwing companies' repatriation plans into chaos.

"Many [IMEC] members are having to put a hold on Indian placements, which will soon escalate the crisis to the heights of the 2020 late spring, I fear," said Mr Gargiulo. "Don't be fooled by those that tell you they are looking to replace Indians with other nationals. Most Indians are officers and the cupboard is bare already in that sector."

He said the problem was "very different" to last year's shortage of Filipino sailors, who were mostly ratings. "Officers are a whole different story as these limitations will add to historical shortages," he said.

Mr Gargiulo said the waiting list for the Philippines quarantine hotels jumped 50% overnight after the Singapore rule change, since it added the need for another seven days' quarantine on top of the original 14 days.

Intermanager said it needs a recognised governmental body to place and receive the vaccine order to comply with international law — and has had no luck finding one so far.

It is working with the British and Cypriot governments and "has others in line too, but so far its efforts have drawn a blank".

"I tear my hair out as to why we can't get a single government body to authorise this," said InterManager president Mark O'Neil. "We could have these vaccines in a pretty short timeframe."

Shipping groups see the one-dose J&J vaccine as key for the shipping industry since seafarers do not stay in one place long enough to get second doses.

Mr O'Neil, the chief executive of Columbia Shipmanagement, urged shipmanagers to use their contacts to find a government body to use as a conduit.

"If we miss this opportunity then we'll be kicking ourselves in a few months' time when some vessels come to a grinding halt because we do not have vaccinated seafarers," he said.

Mr O'Neil vowed in April to try to secure seafarers vaccines independently amid frustration at the slow pace of international efforts.

A coalition of industry groups led by International Chamber of Shipping has encountered the same problem for months as pharmaceutical companies sell only to governments.

Health authorities have said only health workers would get priority for jabs. This is a problem for seafarers, who hail mainly from poorer countries with little access to national rollouts.

Poland and the Netherlands have joined the US and Russia in starting to vaccinate seafarers and progress is being made in support of seafarers in Belgium, Romania and Denmark.

Dutch health authorities have agreed to launch a seafarers vaccination programme with the local shipowners' association KVNR. Seafarers working on Netherlands-owned or flagged ships qualify.

The Dutch group said about 49,000 vaccine doses would be made available from mid-June at bigger ports and Schiphol airport.

The health ministry will provide the vaccines, with private shipping companies to pay for the logistics.

A similar initiative starts at Belgian ports on May 26. It aims to vaccinate 2,100 Belgian seafarers with the single-dose J&J jab and hopes to open the programme to all seafarers by summer if supplies allow.

France has also given seafarers priority status, the French shipowners' association said. They can now apply at vaccination centres by ticking the box reserved for health workers.

In the US, the North American Maritime Ministry Association, a Christian charity, has published a list of ports vaccinating foreign seafarers here.

It said pharmacies and health authorities in many US states and cities have made coronavirus vaccines available to foreigners in past weeks, but eligibility requirements differ.

The industry group Vaccine Taskforce has warned liability can be unclear in case of complications, since these programmes are not endorsed by the seafarers' home countries.

But there have also been reports of profiteering by US firms and medical agents, with one employer quoted $1,500 for a vaccine that is supposed to be free.

"There's been some bastards out there," said Mr Gargiulo. He added that some of the more extreme cases had been reported to Florida health authorities and the US Coast Guard.

The 21-page ICS document has information on how to solve eligibility, distribution and legal problems.

ICS secretary-general Guy Platten said seafarers would soon deliver vaccines by sea and already delivered crucial medical supplies, so they should get priority for jabs themselves.

Australia's Port Botany, in Sydney, is planning to vaccinate "a small number" of seafarers on vessels that transport gas between Australian ports.

The Maritime Union of Australia said the programme should be rolled out across Australia.

LNG is commercial pragmatism not climate activism

F. SCOTT Fitzgerald wrote that the ability to hold two opposing ideas in mind at the same time is the sign of a first-rate intelligence.

By this standard, the shipping industry is very bright indeed.

Many of those shipowners currently investing in dual-fuelled vessels fully accept that LNG's status as a transitional fuel towards full decarbonisation is at best riddled with problems. At worst, it is "borderline greenwash" as Maersk contentiously described it this week.

And yet, many of these same owners have a genuine commitment to reducing the impact of climate change.

The contradiction lies in confusing commercial strategy with climate policy.

LNG has a vocal support group, not least in the form of the oil supermajors already invested in gas growth as they drill their way past peak oil demand.

Those touting the transitional line of LNG's reduced emissions, also cite the advantages of an existing gas infrastructure and a body of industry know-how. Not to mention the cargo interests keen to maximise the 20%-plus efficiency gains promised by dual-fuelled options that go some way to burnishing their eco-credentials in the supply chain.

But even before you start examining the studies into methane slip, both upstream and during combustion, and consider the political and financial implications of the World Bank's anti-LNG stance, the dynamics in such demands remain unbalanced for shipping.

Owners have a 20-year financing view for vessels. Given a decent charter commitment lasting 10 years at best and regularly renegotiated freight contracts all subject to the mutually acknowledged truth that LNG's longevity as a transitional fuel option is at best limited, and you can begin to understand the hesitancy in the orderbook.

We have already seen some cargo interest publicly state that LNG shipping is not for them, so if the shippers start to shun gas then those triumphant bets on dual-fuelled tonnage quickly start to look less attractive.

Shipowners are hesitant precisely because they know this is a fast-moving policy debate where they risk being caught on the wrong side of a shifting timeline.

And yet there are an increasing number of shipowners exposed to LNG via dual-fuel vessels, either in operation or in the growing orderbooks. LNG is still a relatively small percentage of their respective fleets, but it does make sense for some owners.

Recent fleet moves by the likes of MSC can be read less as climate strategy and more as hedge betting and paying for flexibility to ensure that cargo interests are appeased without having to bet the farm on assets that could yet become stranded.

This is a case of commercial pragmatism, not climate activism.

Those arguing that LNG offers more flexibility to future conversions on ships to run on low-carbon fuels have a point and the methane slip issues are no doubt resolvable in time, with sufficient funds and time.

But time is the scarcest commodity in the industry right now.

The marginal CO_2 reduction of LNG compared with feasible conventional fuel designs without the need to invest billions of dollars in infrastructure that locks carbon into the supply chain and slows the transition, is a difficult equation to balance in terms of climate goals.

Maersk's view that LNG is borderline greenwashing may not be too far off the mark, but its own strategy is built on equally problematic choices.

The transitional fuels route risks nurturing false hope and extending carbon time lines, but then leapfrogging to as yet unproven technology and the promise of efficiencies yet to come has generated its own fair share of criticism.

The reality is that shipowners have limited agency in determining the speed of shipping's decarbonisation trajectory.

Getting the commercial strategy right may be a case of choosing between the least worst possible options when it comes to climate strategy.

ANALYSIS

FMC constrained in response to export equipment shortage

THE Federal Maritime Commission has limited ability to solve the supply chain issues facing US agricultural exporters as container shortages and high freight rates have led to calls for action.

"I am in touch with these exporters and [know] how frustrating it is right now," said chairman Dan Maffei. "The cost of a container has gone right up, the ability to get equipment has gone way down.

"It is particularly frustrating being at the FMC right now and wanting to help. We have a pretty limited set of tools we can use."

But it was a market characterised by working at maximum capacity that was leading to high rates, he said at an event hosted by the Port of Los Angeles.

"They key word is capacity," Mr Maffei said. "When you're at or beyond the capacity of the system, it is difficult to prove the prices would be lower. It is simple supply and demand. If demand is that high and supply remains limited, that is what happens."

The FMC had already launched an enforcement investigation into detention and demurrage practices, but Mr Maffei said it still needed to do more for exporters.

He is planning to appoint a dedicated person in the FMC that can assist exporters in understanding the law and determining if anything is being done wrong by carriers.

He also wants continued enhanced enforcement following Fact Finding 29, where appropriate, over the denial of containers.

"In many cases, there won't be anything we can find that is unreasonable; it's just the market," he said. "But where there is, we need to get to the bottom of that."

He will also recommend that the commission revisit its detention and demurrage rule to see if it can be strengthened for exporters.

One issue is earliest return dates for containers being moved. This can lead to agricultural products ageing, and can also see detention and demurrage costs being added.

Beyond that, however, there is little that can be done.

"We're too small an agency to expect that we'll automatically catch everything that goes wrong," he said.

Fact finding missions were not a solution in themselves, "but if there is enough consequence enough of the time, there will be a deterrent".

Los Angeles chief executive Gene Seroka said that the disconnect between imports and exports was adding to the container equipment shortage.

"Most imports go to major metropolitan areas where we live as consumers, but most exports emanate from rural America," he said. "Round trip economics are very important for the asset providers. How do we connect these two important markets to ensure we continue the velocity of these assets?"

Exports of empty equipment from Los Angeles were up 82% year on year in April, a picture mirrored by other US west coast ports.

"There are plenty of containers, just not in the right location," Mr Seroka said.

Here, too, there was little comfort for shippers from the FMC. Carriers returning empties to Asia for economic reasons there is not an offence under the Shipping Act.

"A high price is not a violation of the Shipping Act," Mr Maffei said. "If it is not offered or there was no way to get a container even if a shipper were willing to pay for it, that might be a violation as a refusal to deal, but if it is simply a price the shipper doesn't want to pay it is not a violation.

The FMC could not set rates and could not dictate the levels of service carriers provide.

"We can ensure that alliances don't, because of their existence, unreasonably diminish service or increase costs," he said. "We have, however, looked into that extensively, and have upped our monitoring of the alliances but so far there is just not the evidence that the alliances are engaging in any behaviour that would allow us to take them to court."

Limited recourse for cargo delay after Suez closure, says law firm

CARGO interests will find it hard to recover losses arising from delay as a result of the *Ever Given* grounding which forced the closure of the Suez Canal, according to a client advisory from Clyde & Co.

The law firm gives the example of the Institute Cargo Clauses and the Grain and Feed Trade Association standard insurance contract, known as GAFTA 72, under which the majority of the world's bulk grain consignments are shipped.

Loss, damage or expense proximately caused by delay is generally excluded in both cases.

The contractual remedies available to cost, insurance and freight sellers and free on board buyers as charterers against owners are also limited.

Subject to market freight rates, charterers may elect to exercise their right to cancel if a vessel fails to meet its laydays and cancellation clause.

Charterers may also look to the terms of their charterparty to determine whether any claim for damages lies against the shipowner for failure to proceed to the load port with reasonable dispatch, or for breach of 'estimated ready to load' or 'estimated time of arrival' statements.

They should check the precise wording of their charterparty, including any exception clauses applicable to laytime and demurrage, to determine when the vessel is deemed to be an arrived ship for the purposes of triggering laytime.

Claims for demurrage will in the first instance be borne by charterers, who will in turn seek to pass them on to their counterparty. Whether they can do so or not will depend upon the terms of the sale contract.

It may be difficult to pursue a claim in deviation against an owner who opted to take the longer route around the Cape of Good Hope during a laden voyage, rather than queue for the duration of the grounding.

Charterers considering exercising cancellation rights should seek legal advice to ensure they do not commit a repudiatory breach of contract.

FOB and CIF buyers are reminded that the contract goods are shipped at their risk and this includes transit delays.

Until a full investigation has been carried out as to the cause of the grounding in March, it is unclear whether the vessel's cargo interests will have a right to claim in respect of loss or damage, or a defence to a claim for general average, Clyde & Co advises.

But the vessel's owners have filed a limitation action before the English Admiralty Court to cap exposure to claims for loss or damage to property at around $115m.

MARKETS

Port Klang dismisses 'inaccurate' high rollover rate claim

PORT Klang, a major transhipment hub in Malaysia, has dismissed claims it is facing a severe congestion problem against the backdrop of a pandemic-led disruption.

Figures from freight visibility platform project44 showed the percentage of containers missing their scheduled sailings was on the rise, with some carriers and ports rolling more than half their cargo in April.

The Malaysian harbour was said to be among the hardest hit, showing signs of "endemic congestion" with a 64% rollover ratio.

In an email statement to Lloyd's List, the port authority general manager Capt. K. Subramaniam said the alleged results were "completely inaccurate".

"Our records for the said period show the actual overall rollover is 12% of the total volume handled for the month, with February and March figures being 15% and 12% respectively, which is nowhere near the figures reported by project44."

Port Klang has seen an overall recovery in box volume since August 2020, following the outbreak of the pandemic.

Westports, the dominant operator at the port, posted a 7% increase in its transhipment throughput to 1.7m teu for the first quarter of the year.

Such an increase in cargo flow has naturally resulted in a higher demand for additional handling and storage capacity, and hence affecting the port's productivity and ability to provide timely services to ships, said Capt Subramaniam.

"With shipping lines facing delays at several ports within the region due to productivity issues and higher demand for services, some lines omitted scheduled calls to Port Klang to make up for lost time resulting in longer dwell time in port for export and transhipment containers."

But he described the delays as "minimal" and it was manageable for Klang with its sources to cope with the demand spike.

"The data published by project44 is questionable as the port was at no time consulted about the issue, neither was the source of information mentioned. In any case, such high rollovers as alleged would have obviously crippled any port," he said.

Lloyd's List has approached project44 for comment.

HMM reports record first-quarter operating profit

HMM, the South Korean container line, says it expects rocketing shipping rates to continue as it set a record first quarter of the year operating performance.

"The highly elevated freight rates will last through at least the first half of this year," it said in a financial results statement. "Supply chain disruptions primarily caused by port congestions, the shortage of both vessel space and containers, and increased cargo demand are not on course to be relieved over the short term."

The remarks come as the Shanghai Containerised Freight Index has continued its strong momentum, jumping 8% on May 14 from a week ago, driven by strong cargo demand from the US.

HMM reported a first-quarter operating profit of more than Won1trn ($903m), exceeding the Won980.8bn for the whole of 2020, which it had described as the "highest-yet" full-year result.

Net profit for the three months was Won154.1bn, reversing a Won65.6bn loss in the same period a year ago.

The significantly improved bottom line was achieved on an 84.9% surge in revenue to Won2.4trn and a 6.7% increase in lifting volume to nearly 1m teu.

Despite the robust market conditions, HMM warned that the ongoing coronavirus backdrop and insufficient vaccination provision in many countries remains as a big uncertainty, which could "negatively affect container volumes on certain trade lanes".

It unveiled a plan to add 120,000 teu of dry containers to alleviate the current equipment shortage. More than one third of the boxes have already been delivered, with the remainder to be acquired by July.

Separately, the company told Lloyd's List it was eyeing "new orders for containerships, including 13,000 teu class" and expected to make the decision in the first half of the year.

It could lead to a buying spree for a dozen 13,000 teu ships at compatriot yards.

Wan Hai completes nine-vessel order spree worth $1bn

WAN HAI Lines has signed a contract with Samsung Heavy Industries to build four 13,100 teu containerships as part of the company's nine-ship ordering plan.

The SHI newbuildings will cost $445.6m in total, Wan Hai said in a stock filing.

The deal comes less than two months after the Taiwanese carrier announced an order for a quintet of 13,200 teu worth $562m at Hyundai Heavy Industries, another major South Korean yard.

The orders are expected to enhance the transpacific presence of the container line, which has its traditional stronghold in intra-Asia markets.

Alongside the investment in fresh tonnage, Wan Hai also said it has spent $151m on the purchase of 50,000 teu of new containers to strengthen its capacity supply.

The company, ranked 11th in Alphaliner's Top 100 carriers' list, has a fleet of 136 ships with a combined carrying capacity of nearly 400,000 teu.

Of those, 77 vessels are self-owned, including a pair of 12,000 teu acquired from Pacific International Lines a year ago for more than $180m.

Wan Hai reported net profits of TW$14.7bn ($525m) for the first quarter of 2021, up 89.3% from year-ago period. Revenue jumped 114.7% to TW$38.6bn.

IN OTHER NEWS

Vale tests wind rotor on very large ore carrier

BRAZILIAN mining giant Vale will receive the first-ever very large ore carrier that will be powered by the wind as part of its eco-shipping programme.

The 325,000 dwt *Sea Zhoushan* (IMO:9844112) guaibamax, which will have five sails installed along the length of the vessel, will depart China in the coming days to load iron ore at one of Vale's ports, the miner said in a statement. The journey takes about 40 days.

The wind-based technology will allow efficiency gains of up to 8% and a consequent reduction of as much as 3,400 tonnes of carbon dioxide equivalent per ship per year, it said.

West of England combined ratio hits 140% with fourth successive underwriting loss

WEST of England P&I Club's combined ratio jumped to almost 140% in 2020/21 from 107% last time round as the International Group affiliate took a hit from the current record level of pool claims.

No figure was given for the underwriting deficit was contained in a statement from the marine mutual, although the size of CR suggests that it will certainly be hefty.

The development will increase expectations that the P&I sector as a whole is in for run of red ink results, with news earlier in the week that Britannia had booked a $20m underwriting loss for the same year.

Californian ports continue record-breaking throughput trend

CALIFORNIA's ports continue to show record high volumes of containerised throughput in line with increased consumer spending fuelled by federal government stimulus cheques and other economic incentives.

"Despite the continuing pandemic, most consumers are in good financial health and are not hesitating to spend," said Jonathan Gold, vice-president for supply chain and customs policy at the US National Retail Federation, the world's largest retail trade association.

"More spending translates into more merchandise arriving at our ports as retailers continue to meet increasing demand. The cargo surge that began last fall does not show any sign of stopping."

For classified notices please view the next page.

Enforcement Officer Risto Sepp sells the vessel named **"OCEAN SPIRIT" IMO 8325793**, located at Vene Balti Port, Tallinn, and belonging to "img EHF" of Iceland at an electronic auction, through web page www.oksjonikeskus.ee.

Claim of DAN Bunkering serves as grounds for conducting the auction.
The auction begins on **17.05.2021 at 10am** and ends on **21.06.2021 at 10am (EET).**
Starting bid of auction is 300,000 euro.

Persons having the right to maritime claims are to submit such claims no later than on 10.06.2021 with substantial grounds.

Any additional information concerning auction or vessel details or inspection of the vessel sold at the auction is possible on arrangement with the Enforcement Officer. A request must be submitted by **e-mail** risto.sepp@taitur.net or by **phone +372 56 624 194**.