

LEAD STORY:

Don't shoot the carrier

WHAT TO WATCH:

US calls incoming emissions measure 'weak'

ANALYSIS:

Maritime Markets Outlook: Death and demand

MARKETS:

Asia Pacific drives LNG re-export growth

Port of Los Angeles sets container processing record

IN OTHER NEWS:

Charterparties may need amending to reach climate goals

Shipping apes G7 to spread the word for seafarers

US sanctions 'cohort' of businessmen and shipping experts linked to Yemen's Houthis

Sri Lanka probes oil patch near X-Press Pearl

APM Terminals names Jonathan Goldner as Asia head

Astomos to ship first carbon-neutral LPG in deal with Shell

Don't shoot the carrier



FREIGHT RATES ON the Asia-Europe trade lane this week recorded their highest-ever levels, breaching the \$6,000 per teu mark for the first time.

And there shall be much wailing and gnashing of teeth from the shippers and cargo owners who will have to pay these rates to get their goods from one end of the supply chain to the other.

Most, if not all, of that will be vented at the container lines that are taking the rates.

From a shipper perspective, this is understandable. Carriers, having had the most profitable year in their collective existence, and on track for another this year, are charging like wounded bulls and delivering a service that even they describe as unsatisfactory.

Trying to book equipment, find a slot on a ship and expect a delivery even close to when it was scheduled has become an exercise in futility. But one for which a shipper still has the privilege of paying top dollar.

For some products the cost of ocean carriage has meant container shipping is no longer a viable option, as it would suck any profit out of the sale of the product.

For those that can still afford the cost, supply chain management has become a matter of guesswork and good luck. The days when one could order parts from China and have them delivered to a factory on a known day two months later are gone, throwing whole sectors into disarray.

So far, so good for the shipper argument, but there comes a point in any comment piece where the writer must say: there is a 'but'.

This is that point.

Nearly all the opprobrium thrown at container lines is misdirected and they are being accused of things that are outside their control.

Box lines are not responsible for congested port and terminals, shortages of rail, truck and warehouse capacity, the blockage of the Suez Canal or the outbreak of Covid-19 at Yantian.

Containerisation facilitated, rather brilliantly, the just-in-time supply chain, but it never required anyone to design production facilities to operate with only two days of stock in hand.

Lean supply lines are cost-effective, just as sourcing goods and components in Asia is cost-effective. But those low costs comes at the price of resilience.

Supply chains are not so much lean as positively anorexic. There is no fat on the bones and very little muscle. So when the vicissitudes of a pandemic start to punch the supply chain, the supply chain is just not strong enough to defend itself.

Shippers must bear some responsibility for this. The just-in-time supply chain permits cargo owners to avoid the cost of holding inventory, and they have chosen to invest in the cost of shipping rather than the cost of high inventories.

Had they sought to remove the styre from their own eye, they might have identified the weakness in the model and sought to remedy it.

A more resilient supply chain might not be in such desperate need for goods that it is prepared to pay over \$6,000 per teu to ship a container from China.

While there are no doubt some avaricious sales men and women in the container shipping sector, to the best of our knowledge, none of them has ever held a gun to shipper's head and forced them to pay a given rate.

Much of the reason that spot rates are so high is that shippers are outbidding each other in a market where demand exceeds supply. When the situation was reversed — it was only a few years ago that Lloyd's List was constantly covering the overcapacity in the box shipping market — rates were low and no one was complaining about free-market economics.

The same free-market economics is driving the cost of a 10-year-old panamax to over \$45m, and the

charter rate for an 8,500 teu boxship to \$60,000 per day as carriers throw every available slot of capacity into the market.

The argument that carriers should have somehow foreseen a pandemic, or that they would have to carry a year's volumes in six months as they did last year, is spurious.

Yes, carriers have learned to not buy excessive amounts of tonnage, but that doesn't mean they have neglected to increase their fleets with demand. If there had not been a pandemic, we would not be seeing the capacity crunch nor the sky-high rates and levels of delays.

Let us not forget that while the Shanghai Containerised Freight Index may have breached \$6,000 per teu for the Asia-Europe trade this week, a year ago it was under \$900 per teu and the five-year average, even including the recent peaks, is just \$1,200 per teu. The average cost of transporting a box is estimated to be around \$2,000.

Container lines rightly point out that for most of the past decade they did not make any money. The low-cost supply chain that shippers came to rely on was in fact a charitable donation from the container lines' shareholders.

The Global Shippers' Forum argued this week that the disruption in the supply chain and rising freight costs could lead to inflation as economies recover from the pandemic. One could equally argue that container shipping at below cost rates led to deflation that made shipping cheap goods half way around the world possible.

Box shipping, for all its faults, has done a remarkable job. Last year, it transported nearly the same number of containers it had in 2019, despite all the disruption of the pandemic.

The port of Los Angeles yesterday celebrated becoming the first port in the western hemisphere to handle 10m teu in a calendar year. This is not a supply chain that has ground to a halt.

How the current crisis is resolved remains unknown. In most ecosystems, when demand exceeds supply, either supply increases to meet demand or demand falls.

Supply will increase, but it will take two years for the latest swathe of boxship orders to hit the water. As for demand, that is one for the shippers to decide on.

WHAT TO WATCH:

US calls incoming emissions measure 'weak'

PROPOSED measures to tackle the shipping industry's greenhouse gas emissions are weak, according to the US government.

Washington's delegation to the International Maritime Organization told the Marine Environment Protection Committee meeting that a short-term measure expected to be adopted next week should not be further watered down.

The remark came in opposition to a proposal to the MEPC to add a clause for general waivers and exemptions for ships from these measures.

"In our view, it [the clause] would significantly weaken the effectiveness of what we consider is already a weak measure and without adequate justification," the US delegate said.

This new short-term measure is part of a package aimed at targeting the operational and technical efficiency of ships and aims to help international shipping achieve its target of reducing average carbon intensity by at least 40% by 2030 compared with 2008.

The measures have been criticised by environmental groups and some countries, mostly European ones, for lacking ambition and having a weak enforcement mechanism.

The US disapproval became apparent during recent preliminary negotiations when the country suggested higher levels of ambition for the measures.

The comment on June 10 was the first public criticism, marking an official departure from the country's emissions stance at the IMO over the previous four years under the Donald Trump administration.

This is the first MEPC to be held since President Joe Biden came into office. His administration has said it wants the IMO to increase its 2050 target to

absolute zero emissions from international shipping.

The IMO will revise its GHG strategy and its emissions targets in 2023.

The proposal for the exemptions and waivers from compliance with parts of the measures was made by Antigua and Barbuda, the Cook Islands, Malaysia, Saudi Arabia and Vanuatu.

The countries said this waiver should be put in place owing to negative impacts that could disproportionately affect developing nations, especially small island developing states and the least developed countries.

The impacts of new emission measures on countries, especially developing ones, coupled with the different responsibilities developed nations have to combating climate change is a major component of international climate policy.

However, the vast majority of the 50 countries that spoke on the issue of the impacts of the measures disagreed with adding this general exemption at this point in time, arguing that it would undermine the measure.

Aside from the US, multiple European countries, Canada, Mexico and others, opposed the waivers.

Most countries instead backed a proposal by the Solomon Islands to review whether there are any disproportionate effects on countries from the measure, three years after its entry came into force, which would be November 2022, if the MEPC adopts it next week.

But the discussion on this issue is not officially over and the meeting will continue its deliberations on June 14.

Around 20 more countries have requested to discuss the matter. The MEPC, which is due to conclude on June 17, is already a day behind schedule.

ANALYSIS:

Maritime Markets Outlook: Death and demand

THE shipping markets have been skewed by the pandemic and the recovery is proving to be a bumpy ride for shipping sectors.

For tankers particularly, the current feeling is very much 'wait and see'.

With the forward curves suggesting that the market will start to improve late in the third quarter of 2021 and through the fourth quarter, owners and charterers are keeping their powder dry until they see more clearly the direction that the world economy is moving in as countries slowly ease out of their respective lockdowns and crude and product demand starts to ramp up.

So with that in mind, our Monthly Markets Outlook starts with a look at the correlation between gasoline and diesel demand versus monthly coronavirus deaths, with a view to working out how a vaccine-led recovery works.

Other economies should take heart from the recent spike in US gasoline demand last month, but also note the subsequent tail-off. We will need to watch countries such as Australia — low vaccination rates, key Pacific MR market — which likely will have demand issues if and when the country is finally opened up later on this year.

Optimism, however, should be tempered with the usual caveats: India, responsible along with China for most of demand growth, is still in a bad way; China slowed down exports for refinery maintenance in April and May and is very price-sensitive — so when demand begins to run away with itself and oil prices rise, counter-intuitively it will curb buying and rely on inventories, so

this is something to have at the back of the mind.

On the dry side of the markets, things are looking potentially more exciting.

With commodity prices regaining pandemic-related losses, and some reaching highs last seen a decade ago, the inevitable speculation of a new commodity super-cycle has been keeping financial journalists busy of late.

They are wrong, of course. The recent price spikes are due to reduced supply plus a quick recovery in industrial production and robust global monetary and fiscal stimulus measures have increased demand. But super cycle is over-egging the situation.

That said, this commodity market has some way to go yet. We've seen Beijing trying to take the heart out of the market recently, with attempts to cool prices of steel, iron ore, and other commodities

But even if China starts to take its foot off the domestic accelerator, demand from the rest of the world is not going to peak until later this year, or more likely not until 2022.

Meanwhile, the bulk carrier fleet is unlikely to grow very much this or next year. If previous seasonal patterns are any guide, the bull run has some way to go yet.

The regular Markets Outlook team — Lloyd's List editor Richard Meade, Lloyd's List markets editor Michelle Wiese Bockmann and Lloyd's List Intelligence head of consulting Christopher Palsson — examine the data and assess the market implications of shipping's latest market moves.

MARKETS:

Asia Pacific drives LNG re-export growth

RE-EXPORTS of liquefied natural gas cargoes have surged on the back of the impact of supply chain disruption due to lockdown conditions in key global economies.

The world's busiest transshipment hub of Singapore almost doubled its re-exports, accounting for 38% of volumes in the past year, according to an International Gas Union report.

Globally, re-exports expanded 66% to 2.6m tonnes, albeit still a modest 1% share of overall LNG trade for 2020.

Asia Pacific loaded 48% of these re-exported volumes amid vast disruption to trade flows after economies were forced to enter into lockdowns to contain coronavirus.

Singapore LNG Corp, which owns Singapore's multi-user access LNG terminal, was a beneficiary of trade diversion from other terminals in the region that decided not to or were unable to operate, said senior vice-president Sandeep Mahawar.

"Mid-scale trades involving the re-export of cargoes ranging between 45,000 and 65,000 cu m experienced the largest increase," he said.

Lloyd's List understands most mid-sized cargoes re-loaded from Singapore in the past year were sourced from the spot market.

Spot LNG prices fell to record low of below \$2 per million British thermal units during the second quarter of the past year, spurring trading interest and demand from the more price-sensitive importers.

Port of Los Angeles sets container processing record

THE port of Los Angeles says it has become the first port in the Western Hemisphere to process 10m teu in a 12 month period.

Los Angeles mayor Eric Garcetti said the "remarkable milestone" reflects the port's role as a "critical engine" of the global supply chain and was a testament to "our unmatched port infrastructure and highly skilled workforce."

Port executive director Gene Seroka said the record was the result of the "hard work and perseverance" of many people.

"With our sustained focus on supply chain digitalisation, infrastructure investments and strong business relationships, we have the opportunity to build on this historic milestone," he said.

The 10 millionth box, a load of soyabeans, was hoisted from the port's Fenix Marine Services Container Terminal to the deck of the 2010-built, 13,344 teu *CMA CGM Amerigo Vespucci* (IMO: 9454395) bound for Nansha, China.

Amid the volatile market, re-exports from China dried up as mid-sized imports to the country's second-tier ports ramped up.

The 64,000 cu LNG carrier *Lerici* (IMO: 9064085) ferried more than a dozen cargoes from Singapore to Dongguan last year, ship-tracking data showed.

SLNG's second jetty underwent modification, which was completed two years ago, to handle smaller cargoes and has cleared safety assessments for ship-to-shore transfers of medmax tankers.

The company also offers jetty-to-jetty transfer of LNG cargoes, which is increasingly used to facilitate hub-and-spoke trades, or transshipments, to optimise shipping logistics.

The terminal operator is weighing options for its third jetty, which can be re-designed to take in up to 80,000 cu m tankers of feedback from the market points to a need for such infrastructure, Mr Mahawar said.

Ten countries loaded out LNG re-exports that headed to 22 countries in the past year, the IGU said. Singapore ranked ahead of France, which loaded out 500,000 tonnes of LNG re-exports.

Ed Aldridge, president of CMA CGM and APL North America, said the historic 10 millionth box "carries more than just cargo, but hope. It shows that, as the pandemic subsides in the United States, the American economy is roaring back to life."

The port is expected to have processed more than 10.8m teu in the fiscal year by the time it ends at the end of this month, fuelled largely by a consumer buying surge.

Port officials said its terminals have worked an average of 15 containerships a day, up from a pre-pandemic average of 10 ships a day, representing a "significant increase" in productivity.

Longshore labour workers' shifts were up nearly 20% in 2021 compared with the average weekly shift count over the past four years.

"Even in the midst of a pandemic, they worked diligently day in and day out, turned record amounts of cargo, and helped to ensure that

much-needed goods were delivered to the American people,” said Ramon Ponce de Leon,

president of the International Longshore and Warehouse Union Local 13.

IN OTHER NEWS:

Charterparties may need amending to reach climate goals

DECARBONISATION efforts may require the shipping industry to amend standard contracts to enable reductions in future emissions and improve transparency, according to law firm Clyde & Co.

Incorporating environmentally focused clauses into charterparties and related agreements will become increasingly common in coming years, it predicts.

Shipping is responsible for around 3% of total global carbon emissions. The International Maritime Organization is committed to halving greenhouse gas output by 2050, from 2008 levels, by which point the volume of global seaborne transport is forecast to have risen by 40%-100%.

Shipping apes G7 to spread the word for seafarers

SHIPOWNER groups hope to use the G7 talks to push governments to act on the crewing crisis, seafarer vaccines and green shipping.

The UK Chamber of Shipping touted a meeting of shipowner groups from the G7 countries plus others from Australia, India, South Africa, and South Korea, plus BIMCO and the European Community Shipowners' Association.

The gathering – dubbed the M7 – called for more government investment in green shipping and digital documentation to help trade recover after the pandemic.

US sanctions 'cohort' of businessmen and shipping experts linked to Yemen's Houthis

THE US Department of the Treasury's Office of Foreign Assets Control has designated a "cohort" of businessmen and shipping experts as members of a smuggling network that helps fund Iran's Islamic Revolutionary Guard Corps-Qods Force and the Houthis in Yemen.

"This network's financial support enables the Houthis' deplorable attacks, threatening civilian and critical infrastructure in Yemen and Saudi Arabia," said Ofac director Andrea Gacki.

Ofac said the Houthis have used ballistic missiles, explosives, naval mines, and Unmanned Aerial Vehicles to strike military targets, population centres, infrastructure, and nearby commercial shipping in Saudi Arabia, along key international trade routes.

Sri Lanka probes oil patch near X-Press Pearl

SRI LANKAN authorities are probing a possible oil leak from the fire-stricken containership *X-Press Pearl*.

Coast conservation minister Nalaka Godahewa told reporters in Colombo that local experts were examining an oil patch of about 0.35 sq km surrounding the grounded vessel.

He said a boat visit to the site found "a thin film of oil" that looked like diesel instead of bunker oil. According to a Lloyd's List Intelligence casualty alert, a light-coloured area trailing away from the

vessel has been captured in satellite images.

APM Terminals names Jonathan Goldner as Asia head

APM Terminals has appointed a new chief executive for Asia and plans to relocate its regional headquarters from Hong Kong to Singapore.

Jonathan Goldner, the Maersk port unit's chief commercial officer, will take over from Tim Smith on September 1.

Mr Goldner has held various senior positions in the US and China, including the managing director of APM Terminals Tacoma and general manager of East China for logistics at Maersk.

Astomos to ship first carbon-neutral LPG in deal with Shell

TOKYO-based Astomos Energy is eyeing a different route to reaching shipping's decarbonisation target.

It has signed an agreement to purchase carbon neutral liquefied petroleum gas from Shell International Eastern Trading in a move that could be an important precursor for carbon-neutral shipping.

The LPG trader is planning to load this carbon-neutral LPG onto a very large gas carrier owned by Astomos and to get it discharge at an import terminal in Japan.

Classified notices



Container Tracker

Save time. Stay compliant.



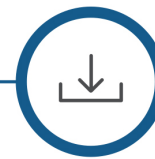
Track containers,
not just ships

Simplify transshipment tracking with end-to-end downloadable data trails on containers – by container number or Bill of Lading.



Complete checks in
minutes, not hours

Save time, with all the data you need in one interface, supported by tracking intelligence from over 600 Lloyd's agents worldwide.



Download
the evidence

Downloadable reports ensure you have the necessary documentation to prove compliance, including specific end-to-end transshipment reports and more.

Request a demo:

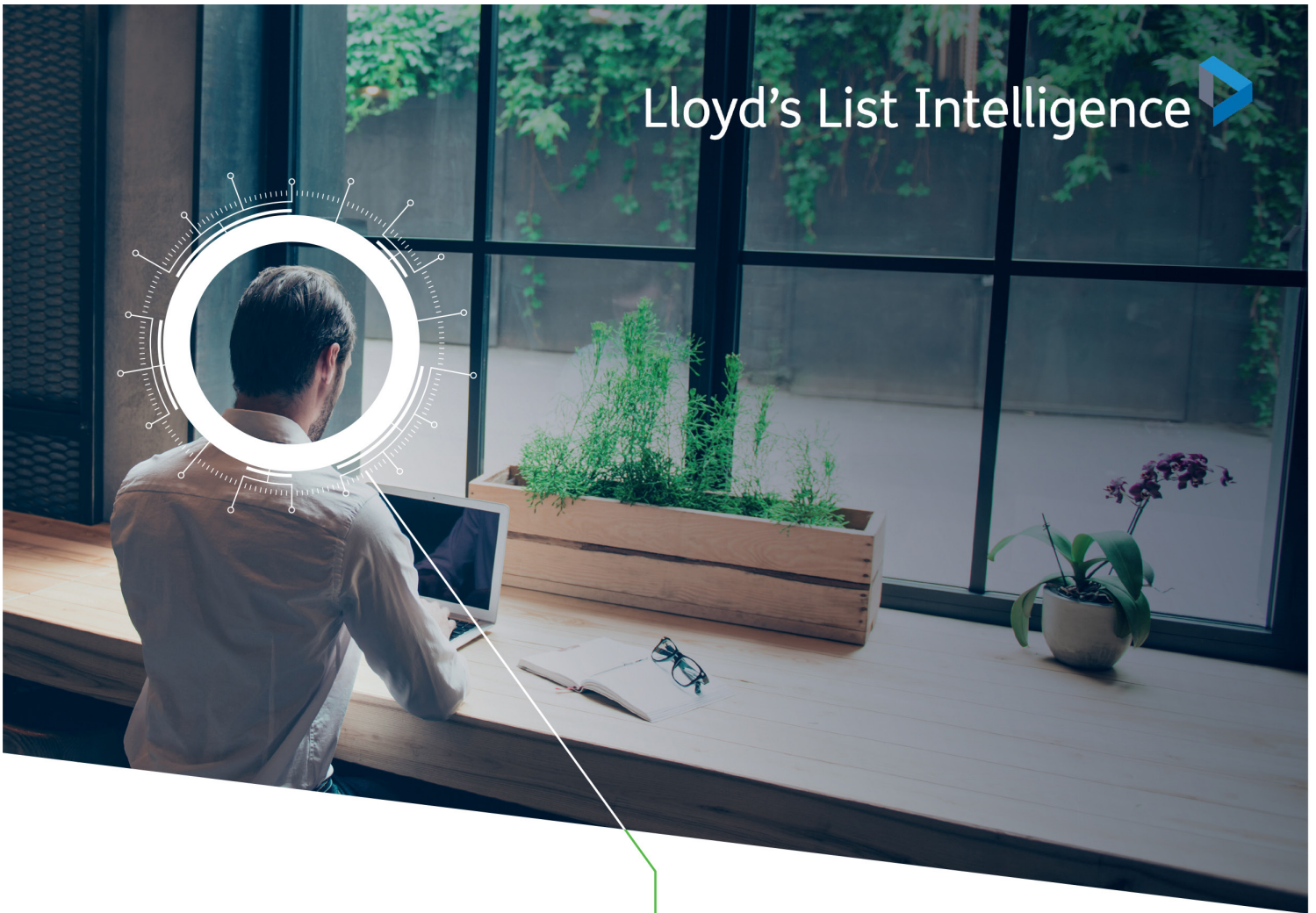
America Tel: +1 212-520-2747

EMEA Tel: +44 20 7017 5392

APAC Tel: +65 6505 2084

lloydslistintelligence.com/containertracker

Lloyd's List Intelligence 



Get a complete view from the trusted source for maritime data and intelligence



80+ expert analysts review, analyse and enhance data to give you the most validated view



Consultants provide you with the future view of the world fleet



Connections with key industry players provide you with exclusive news and insight

Choose the trusted source

Contact us today on + 44 20 7017 5392 (EMEA) / +65 6508 2428 (APAC) / + 1(212) 502 2703 (US) or visit lloydslistintelligence.com



**Looking to publish a judicial sale, public notice,
court orders and recruitment?**

For EMEA please contact **Maxwell Harvey** on **+44 (0) 20 7017 5752**
or E-mail: maxwell.harvey@informa.com

For APAC contact **Arundhati Saha** - Mobile: **+65 9088 3628**
Email: Arundhati.Saha@informa.com