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Carbon levy talks pushed back amid division at IMO

GOVERNMENTS HAVE SHOWN deep divisions on the future use of carbon levies and broader market-based measures for shipping, as the International Maritime Organization attempts to move on to more aggressive steps to decarbonise the sector.

The IMO's Marine Environmental Protection Committee discussed the potential for market-based measures to reduce greenhouse gas emissions, but after a lengthy deliberation decided to push back consideration of a proposal to impose a $100 levy per tonne of carbon dioxide on all ships to the next meeting, in November.

This week's virtual negotiations saw governments taking clear positions on the prospects of market-based measures in shipping, in a sign of the polarised nature that will define what some consider could be the IMO's most effective regulatory tool in its efforts to reduce emissions.

Using the springboard of a $100 CO_2 levy proposal from the Marshall Islands and the Solomon Islands, which could raise around $90bn per year based on today's fuel consumption, governments took turns supporting or denouncing market-based measures, largely divided along lines of developed and developing nations.

Several that spoke out in favour of either the measure itself or the concept of market-based measures would have preferred the $100 CO_2 levy proposal be sent directly to an intersessional working group on greenhouse gas emissions, which meets before the November MEPC meeting.

These intersessional groups often take proposals discussed at MEPCs and try to develop them further, before sending them back for more

advanced negotiations. Sending a proposal to the intersessional is an indirect approval from the IMO that a proposal merits further work.

But the $100 CO_2 levy was ultimately sent to the next MEPC, which means it will have to endure another round of general commentary, which could even see it rejected altogether if the support is not as vocal as it was this week.

The specific idea placed under discussion spurred on a broader discussion about the development of CO_2 levy, or another market-based measure, by the IMO, which reaffirmed the strong discrepancies among member states.

The US said that while it has some concerns about the Marshall Islands and Solomon Islands proposal, it is an ambitious measure that should be considered along with other mid-term measures.

It also supported a push by Denmark, Sweden and Germany to have a mid-term measure come into effect by around the middle of this decade.

Greece argued that the MEPC needed to decide on appropriate market-based measures as soon as possible and said it supported the Marshall Islands proposal for a carbon levy, but had some concerns about the suggested price of the levy.

"In general, we welcome the market-based measure utilising a global levy," Japan said, while raising some concerns about the fund management in the specific proposal.

The UK said it supported the Marshall Islands and Solomon Islands proposal for the development of the carbon levy and wants to have more discussion on the distribution of the revenue.

France also said the proposal would send a clear signal that there is a need to have carbon prices in place and raises interesting ideas for future development.

"We support carbon pricing and a global minimum price on pollution," Canada's delegation also said.

But despite growing support from developed nations, a CO_2 levy has long been opposed by countries who claim the impact on transport costs and broader financial prosperity makes it prohibitive.

Argentina led a host of countries that opposed the idea of a mandatory universal levy on greenhouse emissions, such as the one proposed by the Solomon Islands and the Marshall Islands.

"We believe it is a market-based measure that will impact only developing countries," Argentina said.

Panama said it opposed the proposal at this point due to potentially negative financial and trade impacts.

It also argued that since the revenue distribution would also take into consideration countries disproportionately affected by climate change, the IMO should define which countries exactly fall within that category.

Iran said it could not back the levy due to the added costs on shipping. Russia, South Africa and the Philippines also opposed it.

Malaysia said it was against any market-based measure or levy on shipping, while Bangladesh said it opposed them unless there are elaborate studies on the impacts of these measures.

Indonesia argued that a universal greenhouse gas levy counters the UN principle of common but differentiated responsibilities and respective capabilities, which recognises that not all countries have the same obligations when it comes to combating climate change.

Brazil called sending the $100 CO_2 proposal to the intersessional working group a "premature" move, given that there are still outstanding issues around the short-term measures.

WHAT TO WATCH:

Can Beijing tame the iron ore trade?

AS THE largest importer and a swing buyer, China has a considerable power on the international iron ore trade and any change in Beijing's import policy is set to create waves in the dry bulk market.

For many years, the shipping industry was used to a more normal growth pattern, until China came along. Its appetite for raw materials, especially for iron and coal, after the year 2000 drove up the dry

bulk shipping market, and the Baltic Dry Index touched new highs at the 12,000 points level in 2008.

Before long, Chinese economic growth underwent a structural shift from an investment-driven to a consumption-led economy. Despite the recent slowdown, the long-term view for Chinese imports of raw materials remain intact.

Beijing is responsible for more than 70% of global iron ore trade and two thirds of its imports currently come from Australia.

However, the frosty relationship between China and Australia, which has affected bilateral trade for commodities such as coal, barley and cotton, threatens to disrupt the iron ore trade, with Chinese importers hesitant to enter new long-term contracts with Australian miners.

As things stand, China will still need to turn to Australian miners to meet demand even if it has bought every shovelful of iron ore dug up elsewhere.

Although the world is short on an inventory cushion when it comes to iron ore, geopolitics is sure to reshape supply chains and redraw one of the major trading lanes for the bulk carriers significantly impacting trade flows in the coming years.

At present, China has no choice but to grit its teeth and keep buying Australian iron ore, even as bilateral ties continue to fray.

In June 2020, Beijing amended some iron ore import screening regulations, rolling out measures that could be used to target Australian iron ore. But given the ongoing constraints to Brazilian supply, China did not really go further with it as the supply situation remained tight.

Ocean Analytics founder Ulf Bergman said there is no realistic alternative to Australian iron ore for China at the moment, adding that “after the series of dam incidents, compounded by the pandemic, Brazilian iron ore output is below its full potential.”

While much of the projected growth in iron ore output for the year is expected to come from Brazil, he argued that “it is not sufficient to replace any major portions of the flows from Australia.”

In 2020, Brazilian iron ore exports to China were around a third of Australian volumes, while this amount has decreased to a quarter so far this year.

As Brazilian iron ore production evolves to its full potential, it is also likely to contribute to a decline in Australia’s share of China’s imported iron ore, which will also add to the tonne-mile demand, he said.

Beijing’s desire to reduce its dependence on global supply chains is well documented and part of the current five-year plan, with the dual-circulation initiative aimed at bolstering the domestic economy while insulating it from external shocks.

China is focusing on boosting domestic iron ore production by extracting more from existing mines.

But this trend will run into capacity constraints before long as utilisation rates in mining in the past quarter were already at their highest since at least 2016. To address this, government officials want to step up investment in new mines, with the aim of becoming 45% self-sufficient in iron ore by 2025.

Although China is the world’s top importer of iron ore, its deposits are among the largest in the world. However, the mines have been left mostly untouched because of lower ore quality, which are commercially less attractive to exploit as compared with Australian ore.

Still, it appears that China is willing to sacrifice some efficiency in return for greater self-sufficiency.

There are reports that the government wants to boost the number of electric arc furnaces, which use scrap steel instead of iron ore to reduce shipments. To further support the policy, China has authorised the resumption of scrap metal imports in January this year following a near two-year ban.

Today’s high iron ore prices and the government’s new climate goals mean the transition is likely to pick up speed.

With relations so strained, China has shown a willingness to embrace large and disruptive shifts in global trade flows to achieve its political aims.

The economy is prepared to binge in billions if it means ending its dependence on Australian commodities and ship it from more friendly nations.

But even if they are not, China had already been switching its procurement of key commodities such as iron ore and coal, which it once depended on Australia to provide, even if new suppliers in places such as South Africa and Guinea do not offer the same benefits.

This putative procurement strategy is supported by the latest trade figures. Imports from Guinea and Sierra Leone so far this year were only 121,400 and 188,000 tonnes respectively, BIMCO said, citing Oceanbolt data.

Most analysts believe it is unlikely, and probably impossible, that China could entirely stop buying Australian ore anytime soon, such is the nature of its ravenous hunger for the raw commodity.

It is worth noting that, iron ore exports from Sierra Leone are a bit of an unknown quantity at this stage, says Mr Bergman, "problematic appears to be the keyword."

Guinea, on the other hand, has the potential of becoming a bit of a game-changer, he added. "The ore is of high, or indeed very high, quality and the available deposits are considerable."

Once the railway and deepwater port are developed, it is expected that Guinea will be able to export 60m tonnes by the middle of the decade.

Mr Bergman agreed that the volumes are likely to grow and could potentially reach 250m tonnes by the end of the decade if the likes of Rio Tinto decide to develop their parts of the project.

However, BIMCO's chief shipping analyst Peter Sand argues that although Guinea has great potential in its iron ore supply, there is a way to go before the volumes are anywhere near the levels China needs to be able to cut Australia off entirely.

In the first five months of this year, 69.3% of total Chinese iron ore imports came from Australia, with the next being Brazil at 17.7% of the total, and then the next biggest was India at 3.4%, which Illustrates just how much other sources would have to step off if China were to cut Australia out of its iron ore sources, said Mr Sand.

But he also believes that over the next couple of years, as "the to-be-developed West African mines get up and running", some new success stories will be chalked up, which will provide a tonne mile boost to dry bulk carriers, as seems likely after the investments made by the Chinese.

Mr Bergman suggests that the Chinese commercial involvement in the project is likely to imply that most of the iron ore will go on export to China and replace some Australian imports.

"Such a round trip, from West Africa to China, will require an extra seven to eight weeks compared with an Australia to China voyage. Hence, tying up tonnage for longer."

At the same time, Australian producers will seek to find alternative markets for the iron ore China no longer requires, which is likely to also involve longer sea voyages, he added.

But over that longer timespan, the iron ore trade landscape is likely to change in other ways, shipping analyst Maritime Strategies International's senior analyst Alex Stuart-Grumbar said, pointing out that "as the availability of scrap steel in China starts to increase rapidly, we may see Chinese iron ore imports fall."

The capesizes look set to be the main beneficiaries of this development, with increasing average haulage length.

"As often is the case, the shipping sector benefits financially from inefficient trade flows, but its carbon footprint would suffer at the same time," Mr Bergman said.

Greeks lament lack of technical breakthrough on shipping decarbonisation

GREEK Shipping Co-operation Committee chairman Haralambos Fafalios has called for "workable" solutions to decarbonise shipping, putting the blame on charterers, manufacturers and others for slow progress towards this goal.

"Decarbonisation, or the total reduction of greenhouse gases, is a paramount objective of the GSCC as we work towards 2050," he wrote in a preface to the committee's annual report.

"It is imperative that we create workable, safe, maritime solutions to this critical issue and we involve those whose primary responsibility it is, namely shipbuilders, engine builders, fuel suppliers and charterers.

"So far, all of the above have been notable for their silence and the lack of any technical breakthrough that can bring about an industry-wide solution."

Mr Fafalios noted that the industry still had no new power plant solutions to help it decarbonise.

Shipbuilders "will not build hydrodynamically more energy efficient vessels because charterers do not want a real green solution," he said. The result was "a large number of very small improvements which, whilst positive, will not bring us the breakthrough we all wish for".

Despite this, Mr Fafalios took the opportunity to make an unapologetic defence of the efforts shipping companies had been making.

"On a per ton basis, shipping is continually raising the bar in the way that it maximises its efficiency and has shown a continuous improvement over the last 40 years," he said.

The Greek-owned fleet, already the world's largest and currently increasing its market share "in most sectors", was at the heart of advances.

Through newbuilding deliveries and significant modern secondhand acquisitions, and disposing of older tonnage, the Greek-owned fleet was getting younger relative to the world fleet as well as more technically sophisticated.

"The Greek fleet is continually reducing its carbon footprint and proving that the deepsea shipping industry is by far the most energy-efficient form of transportation for the movement of any bulk or unitised commodity."

Mr Fafalios also underlined that decarbonisation ought to go hand-in-hand with safety.

On that note, he said that "at least half a dozen different" alternative fuels were currently being explored by the industry but none of them "really provide a safe and greener footprint than what already exists today."

He also challenged the consciousness of and commitment to safety among some commentators on shipping's future.

"People cannot truly espouse ESG [environmental, social and governance] policies if they do not realize that robust, well-built ships are imperative to protect the environment and the safety of all those who serve on board the global fleet."

It was "inconceivable" that virtually new ships could still suffer hull and machinery failures due to low standards of construction and safety levels.

"Examples of virtually new ore carriers nearly sinking are unacceptable," he said.

Mr Fafalios paid tribute to shipowner John Angelicoussis who died in April and who had served on the GSCC Council for more than two decades.

Mr Angelicoussis "epitomised all that is great about Greek shipping," Mr Fafalios wrote.

OPINION:

Hong Kong can take lead in promoting green shipping financing

HONG Kong's chief executive Carrie Lam Cheng Yuet-ngor announced in her 2020 Policy Address that it would strive to achieve "carbon neutrality" by 2050, *writes Edward Liu, legal director at Hill Dickinson Hong Kong.*

She wants to develop green finance as one of its economic developments for the purpose of promoting carbon reduction and enhancing resilience to climate change.

In order to support the development of green finance, financial secretary Paul Chan Mo-po has listed the green and sustainable financial assistance scheme as the first of four major financial market assistance schemes in the budget for this financial year.

This illustrates the Hong Kong government's effort to promote the city as a green and sustainable regional financial hub, and that "green" will become the leading trend in the future international financial development.

The reason why 2050 has become an important time node is that the Paris Climate Agreement, signed in 2015, established a global carbon emission reduction roadmap, that is, global carbon emissions in 2030

will be reduced by 45% compared with 2010, and the true global carbon neutral alliance will be established in 2050.

This is why countries around the world are working to set carbon emission reduction targets.

For example, China's President Xi Jinping has publicly pledged to strive to achieve the "Carbon Peak" by 2030 and wants to achieve the goal of carbon neutrality by 2060.

President Joe Biden also reinstated the US to the Paris Climate Agreement.

This means that the global geopolitical competition in the next 30 years will be largely focusing on climate change and carbon emission reduction, which is essentially related to the use of new energy, technological progress in emission reduction, sustainable economic development, smart city construction, and even finance, trade and transportation.

Therefore, it is undoubtedly a timely moment and correct decision to steer the direction of Hong Kong to combine financial development opportunities with low-carbon transformation.

A wave of carbon-emission reduction has swept across all walks of life, including the shipping industry.

According to the preliminary strategy of the United Nations International Maritime Organization on reducing greenhouse gas emissions from vessels in 2018, based on 2008 carbon emissions, it is proposed to reduce the carbon emission intensity of the shipping industry by 40% by 2030, reduce the carbon emission intensity by 70% by 2050, and reduce the total carbon emissions by 50%, in order to complete the goal of decarbonisation.

According to the latest research on greenhouse gas emissions from the shipping industry released by the IMO in August 2020, although the volume of maritime trade increased by 40% from 2008 to 2018, the shipping industry's carbon emissions decreased by 7% at the same time.

However, to meet the ambitious goals set by the IMO, it is necessary to increase the carbon efficiency to 90%, which is very difficult to achieve by way of existing technology and imposing speed limits on vessels.

Unless a revolutionary breakthrough can be achieved in energy technology, the shipping industry's goal of zero carbon emission is not practical. To lever such technological revolution of this scale cannot be accomplished by the shipping industry alone, but also requires the financial support from the financial market.

In July 2019, 11 European and US banks jointly signed the Poseidon Principles, which aim to facilitate financial institutions to finance shipowners and operators that support environmentally friendly ocean-going vessels, in order to reach the emission reduction targets set by the IMO.

This is also the first measure for the global financial industry to participate in the promotion of greenhouse gas emission reduction. As of April this year, the number of contracting financial institutions has increased to 26, covering a total of $185bn in shipping financing.

However, according to the Poseidon Principles 2020 Annual Disclosure Report, as of the end of 2019, among the 15 financial institutions that had signed the contract, only three have their ship financing portfolio plans consistent with the IMO goals, while 12 banks have failed to meet the standards.

In addition, although a small number of Japanese financial institutions have participated in the Poseidon Principles initiative, the progress of participation by Asian ship financing institutions is still relatively slow, especially since there has been no participation by Chinese and South Korean financial institutions.

By the end of 2017, Chinese-funded institutions accounted for a quarter of the $200bn global ship financing market.

Therefore, the lack of participation of Chinese-funded institutions has undoubtedly become a flaw in the Poseidon Principles initiative.

Hong Kong has always been Asia's leading international financing centre, and ship leasing and financing are also regarded by the Hong Kong government as an important sector for consolidating and enhancing its status as an international shipping centre and developing high value-added shipping services.

Hong Kong's shipping loans and advances have grown substantially at a rate of 9.8% per year in the

past decade, and as of September 2020, the total amount had exceeded $16.8m.

In order to enhance Hong Kong's ship leasing competitiveness, strengthen the Hong Kong maritime industry cluster and capitalise on Hong Kong's status as a financial and shipping centre, the Hong Kong government passed the Ship Leasing Tax Concession Ordinance rules in June 2020 to provide tax concessions for qualified ship lessors and ship leasing managers.

In view of the booming business opportunities, major Chinese ship financing institutions and seven of the world's top 10 ship financing syndicated loan underwriters have established branches and offices in Hong Kong.

According to the Financial Secretary's latest blog, from 2015 to the end of 2020, the total amount of green bonds issued in Hong Kong exceeded $38bn, and the total amount of green bonds and loans arranged and issued in Hong Kong in 2020 alone reached $12bn.

According to this year's budget, the borrowing ceiling of the Green and Sustainable Finance Grant Scheme has been raised to HK$200bn ($25.8bn) such that a total of about HK$177.5bn green bonds can be issued in the next five years.

Under the scheme, first-time green bonds issuers with an issue amount of more than HK$1.5bn will be eligible for up to HK$2.5m grant amount. As such, the issuance of green shipping bonds in Hong Kong becomes a viable financing option for large-scale shipping and shipbuilding and port companies to develop and manufacture new energy ships and other technologies to promote zero carbon emissions in the shipping industry.

The Hong Kong government should promote the issuance of green shipping bonds among the local shipping companies.

By cultivating collaboration among the financial and shipping industries with other stakeholders, Hong Kong can drive the development of the shipping decarbonisation centre in the Greater Bay Area, accelerate the innovation of carbon-neutral fuels and technologies, and ultimately accomplish the green transformation of the international shipping industry.

Making the most of its unique foundation and advantages in the fields of finance and shipping, Hong Kong is well-positioned to become the green shipping financial hub in the Asia-Pacific region and has the potential to become the rule-maker in green shipping finance.

ANALYSIS:

Shell judgment 'sets dangerous precedent' for shipping

THE court ruling that international oil major Shell must cut carbon emissions by 45% by 2030 sets a dangerous precedent for shipping, legal experts have argued.

Big name owners resident in the European Union could also be taken before the same court, and it is even possible that any multinational operator with an office in the Netherlands may end up in the dock, one lawyer added.

The shipping industry has so far tended to downplay the likely impact of last month's ruling in The Hague District Court.

Euronav chief executive Hugo de Stoop has even maintained that it will be impossible for Shell to comply anyway.

Crucially, Mr de Stoop believes that the court cannot enforce its decision in a way that will impact on companies such as his own, which frequently charters vessels to Shell outside the Netherlands.

"The court is ordering them to do something that can only be tested in 2030... and what the court is asking them to do is simply, simply impossible with today's technology and infrastructure," he commented recently.

Shell is appealing against the decision.

Nicolas Woo, a partner in the shipping team at UK law firm Birketts, said that a collective challenge to the industry as a whole is unlikely, as it is not one legal entity.

However, he highlighted recent comments from International Maritime Organization secretary-general Kitack Lim that failure to cut emissions is not an option.

"I presume it is not improbable that the same Dutch court could make a similar ruling against Maersk, MSC or CMA CGM who are resident in the EU, albeit not in the Netherlands," he said.

"An even more interesting question is whether the same Dutch courts will start to think extra-territorially and make similar orders against shipping companies with head offices in other parts of the world — like Cosco Shipping, for example — who have a registered office in the Netherlands or indeed, in other parts of the EU."

Much will depend on the outcome of Shell's appeal, but the ruling at first instance "certainly sets a dangerous precedent", said Mr Woo.

Stuart McAlpine, global head of marine projects at Ince, said that an earlier decision had established a duty of care for the environment under Dutch law.

"You cannot exclude the possibility that there will be more of these cases, not just against the oil majors, but against shipping companies, and possibly banks financing shipping companies, or anybody else in the value chain. Whether that litigation is going to be successful or not is another question."

Around 1,600 cases have been brought against corporates on environmental grounds in the last two decades or so, mostly in the US. Most have not succeeded.

But it took about 30 years for tobacco litigation to gain traction in the US, which eventually led to massive settlements.

"A number of people are making the comparison between what is happening in climate change and what happened with tobacco. Arguably, this is an inflection point, and we are going to see a lot more litigation of this type."

While the oil majors are probably the prime targets, it is impossible to say that the shipping industry will avoid litigation.

"The bigger companies, which the climate lobby would see as the bigger polluters, would be in the line of fire. I think this is an inflection point."

MARKETS:

Rates drive new rivals to transpacific trade

THE transpacific box shipping market is set to become more crowded as lines not usually associated with the trade prepare to take advantage of sky-high freight rates and strong demand.

Privately owned Chinese carrier BAL Container Line is set to launch a regular service between China and Los Angeles, after trialling the market with two ad hoc sailings to Europe and one to Los Angeles, according to Alphaliner.

The new loop's first departure is planned for June 24 from Ningbo with the 2,190 teu *Queen Esther* (IMO: 9700251) , a vessel that BAL already deploys as an extra loader on the Transpacific.

"Like other smaller industry players, BAL is keen to have at least a temporary presence on the main east-west trades to take advantage of the sky-high freight rates that cargo currently has to pay on these route corridors," Alphaliner said.

Before joining the transpacific routes, the company in May announced its intention to enter the China-Europe trade, but the vessels deployed on this route will be redeployed to the transpacific.

BAL Container Line hoped to turn the new service in four weeks calling at Ningbo, Los Angeles, Ningbo only, Alphaliner said.

Two larger ships, the 5,060 teu *S Santiago* (IMO: 9302566), and the 4,506 teu *X-Press Manaslu* (ex-*CO Osaka* (IMO: 9400291)), will also call at Qingdao.

"It is worth noting that BAL Container Line has chartered *S Santiago* at a sky-high rate of over $100,000 per day," Alphaliner said. "Despite this hefty price tag, the Chinese carrier is understood to be looking to charter-in further panamaxes for the new service."

It noted that other newcomers could also soon join the transpacific trade.

"Industry sources suggest that China United Lines is at least looking at the option of launching a regular service as well, subject to tonnage and berth availability."

CU Lines has already launched a fortnightly Asia-Europe service using five 3,100 teu-4,400 teu vessels.

Matson, the US carrier, has announced the launch of a new seasonal China–US west coast "China-California Express" service for the peak season.

The service will offer three sailings per cycle of five weeks and Matson intends to operate the loop until the Chinese New Year 2022.

The company's CCX service will turn in five weeks with three 2,000 teu-2,750 teu ships calling at Ningbo, Shanghai, Oakland, Long Beach, Ningbo.

US retail giant Home Depot is reportedly launching its own in-house service by chartering a ship purely to its own goods.

But there questions over how effective or long-lasting these services will be. Small, inefficient ships are only viable on deepsea trades when rates are at record highs, and should they dip the high charter rates being paid will make the services uneconomical.

They will also have to deal with the same congestion issues faced by mainstream carriers.

While the latest figures from the Marine Exchange of Southern California show only 12 vessels waiting at anchor in San Pedro Bay, this is likely to be partially due to the hold-ups at the export end in southern China.

Nevertheless, Matson will offer its customers the possibility of next day cargo availability, despite the congestion in Oakland and Long Beach, Alphaliner said.

"The carrier is in the position to offer this as the ships will be handled at exclusive-use terminals in both ports."

Hapag-Lloyd chief executive Rolf Habben Jansen was sceptical of new services being offered on the trade lane.

"In the long run the prices will go down to a much more reasonable level, and doing it will be a much less viable option, because it will remain much more expensive," he said during a webinar this week. "On the extra-loaders that we deploy using smaller ships, the slot costs can be two to three times more than normal ships.

"Under normal circumstances you would not do that."

Bulker owners set for strong market

NORWEGIAN owners of large and small bulk carriers are positive about the market's prospects in the short to mid-term.

Golden Ocean's chief executive Ulrik Andersen said that demand was expected to outstrip supply through 2023.

The capesize market, in which the company mostly operates, has "bottomed out" and is moving into a seasonally stronger period, with higher iron ore volumes expected from Brazil.

Current spot levels are around the $30,000 per day mark and rising, with the forward curve priced at $37,000-$40,000 per day for the third quarter and fourth quarter, he said on an Arctic Securities webinar.

"We feel we are on the rise," he said. "There is lots of activity and strong sentiment."

The market dipped to the $20,000 per day level earlier this month.

Belships chief executive Lars Skarsgård said that for the ultramax and supramax segments in which it operates, strong Asian demand and congestion added to increasing rates.

Earnings from backhaul trades were higher than fronthaul from the Atlantic for a time, he said, adding that the Atlantic market was now "coming back" with grain exports from Europe.

In the short term, for the next month or two, there will be a "shared hotspot," he added, with the forward market priced at about the $30,000 per day level for a supramax for the third quarter, with $33,000 per day for an ultramax.

The company has bought a 2015-built ultramax, which is expected to be delivered in October. The

vessel, built in Japan, was acquired for an equivalent of about $22.9m, 60% of which will be bank financed.

Belships is also expecting all five Japanese newbuilding resales to be delivered this August and September, taking its fleet to 27.

Mr Skarsgård is also bullish about the demand side, expecting that the "green" shipbuilding wave will require all the raw materials that his company's vessels transport including cement and steel rebar.

For Mr Andersen, some of the brightest prospects remain by way of China's insatiable appetite for iron ore, with steel production at a record in May, despite Beijing's attempts to curb output.

Commenting on the new upcoming Energy Efficiency Existing Ship Index regulations, known as EEXI, Mr Skarsgård said that while he approved the action, he was worried it would drag on in the same way as the ballast water treatment system rules, which took some 15 years.

The EEXI would have implications for the supply-side as older ships would likely have to decrease their top speeds by a minimum of 10%, he noted.

Mr Andersen agreed, anticipating that 75%-90% of the capesize fleet may not be compliant and will therefore have to slow-steam.

"It's a bull case for sure," he said, adding that limited newbuilding orders was keeping supply in check, thanks to rising yard prices, with a dual-fuel capesize at $75m from $50m-$55m previously.

The ordering slack is "what we'll profit from" until at least 2023, he said.

IN OTHER NEWS:

Denmark leads Paris MoU performance white list

DENMARK has topped the Paris Memorandum of Understanding on Port State Control's white list for performance, followed by Norway and the Marshall Islands.

The white list "represents quality flags with a consistently low detention record," the Atlantic port state control umbrella organisation said in a statement.

The two largest flags by tonnage — Panama and Liberia — also appear on the 2020 white list, which has 39 flags featured, down from 41 in 2019. The UK, which topped the list in 2019's report, has fallen to 13th place.

Skuld books $30m technical loss

SKULD, the Norwegian P&I club, had a technical loss of $30.1m for the year to February 20, with a combined ratio of 108%.

The figures mark a slight improvement on 2019-20, when the technical loss came in at $35.2m.

Skuld reported a combined ratio of 118% at the nine-month stage.

NYK orders 12 LNG-fuelled car carriers

NYK, the Japanese shipping line, will pay ¥100bn ($912m) for the construction of a dozen of liquefied natural gas-fuelled car carriers at two domestic yards.

The mega shipbuilding order has been split evenly between Shin Kurushima Dockyard Co and Nihon Shipyard Co and calls for the vessels to be delivered in stages over the fiscal years of 2025 to 2028, the company said.

The newbuildings are earmarked to replace existing vessels to support the decarbonisation of NYK's operating fleet.

US exporters in fear of retaliation for complaints over shipping delays

OCEAN carriers are threatening exporters with retaliation if they take their complaints to the US regulator, a Congressional subcommittee has heard.

The remarks came before a hearing of the Coast Guard and Maritime Transportation subcommittee into the impact of shipping container shortages, delays, and increased demand on the North American supply chain.

The subcommittee, which has jurisdiction over the regulation of ocean shipping and carriers, oversees the Federal Maritime Commission as part of its remit.

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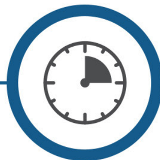

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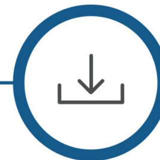

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