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IEA wants greater transparency for 'carbon neutral' LNG

THE USE OF emissions offsets in liquefied natural gas shipments would benefit from greater transparency, according to the International Energy Agency.

Since 2019, there have been at least 15 LNG cargoes sold using carbon or greenhouse gas emissions offsets, with 12 of them sold to Asian buyers, the energy watchdog said in its quarterly gas market report.

While it acknowledged that the practice has gained traction, it also suggested that there should be greater transparency in the use of these offsets, including establishing a standardised way to measure, report and verify emissions across the industry.

Carbon dioxide or greenhouse gas offsets allow companies to compensate for the emissions their business generates by funding an external renewable energy or other kind of sustainability project through the purchase of emissions credits.

For a product to be carbon neutral using offsets, that would mean that the company bought an number of credits from an external project that equals the amount of emissions its activity or product generates.

Though offsets are being promoted by policymakers and corporations including Shell and Total as contributors to the effort against climate change, they have also been criticised as a greenwashing ploy, with limitations ranging from the quality of the projects to the cheap price of the credits.

Energy producers and traders labelling shipments of LNG, a fossil fuel, as "carbon neutral" has further stoked this criticism.

The report said that out of the 15 sold LNG cargoes that involved carbon offset use, Shell sold five cargoes and bought another three.

Discussing the potential for standardisation, the report noted that the European Commission would soon propose a compulsory measurement, reporting and verification (MRV) framework for all energy-related methane emissions in 2021.

In the markets, companies like Pavilion and Cheniere have taken steps to quantify emissions from some LNG cargoes, it said.

Carbon offsets can be used to compensate for the emissions from LNG's entire supply chain, from its production to its transportation to its final consumption, or for parts of it.

The IEA reported that shipping usually accounts for 5% to 10% of lifecycle emissions of LNG used in power plants. It said that improving boil-off gas recovery, reducing methane slip and optimising shipping routes could help reduce those emissions.

It said that it expected global gas demand to rise by 3.6% in 2021 and then drop to a 1.7% average growth rate from 2022 to 2024.

It added that natural gas consumption from transport, the segment with the smallest consumption of the gas, would increase by an annual average rate of 5% between 2020 and 2024.

Shipping is expected to account for about 20% of this growth.

The agency also said it expected LNG consumption for domestic shipping to double between 2020 and 2024, led primarily by China and followed by Europe.

The IEA noted that the International Maritime Organization's 0.5% sulphur cap, introduced in January 2020, had boosted LNG use in shipping, as it can eliminate about 99% of sulphur emissions compared to heavy fuel oil.

Despite being able to eradicate sulphur nitrogen oxide and black carbon emissions and reduce carbon dioxide emissions, LNG as a fuel is a controversial option, enjoying vocal supporters but also critics.

The primary concern is that LNG is a fossil fuel and aside from increasing lifecycle emissions with increased production and use, investing in LNG-powered ships and related infrastructure could end up delaying the energy transition to low-greenhouse gas fuels due to the need to make use of these new LNG ships and infrastructure.

The IEA questioned LNG's role in achieving the current target of the International Maritime Organization to reduce greenhouse gas emissions from shipping by at least 50% by 2050 compared with 2008 levels.

"The inability of LNG to meet the IMO's long-term GHG reduction targets, however, casts doubt about the sustainability of LNG demand growth in the shipping sector beyond our forecast horizon," it said.

WHAT TO WATCH:

Greeks say Europe's carbon market plans should focus on commercial operators

GREEK shipowners representing almost 60% of the European fleet's cargo-carrying capacity have urged EU lawmakers to be "realistic" ahead of an announcement on market-based measures for shipping emissions.

The European Commission is expected to unveil plans for including shipping in the European Union's Emissions Trading Scheme. Leaked proposals suggest that owners will be the ones on the hook for paying for emissions allowances, rather than charterers or other commercial operators.

In a statement that suggests the Union of Greek Shipowners has not entirely given up hope of swaying Brussels even at this late hour, its president Theodore Veniamis described the industry as being "among the frontrunners" in the fight against global warming.

The union was "firmly committed" to environmental protection and decarbonising the shipping industry.

"But we have to be realistic," said Mr Veniamis. "Shipowners are not the parties that build the ships or the marine engines and they cannot produce marine fuels.

"In addition, most of the time it is the charterers and not the shipowners that control the commercial operation of the ships, including the fuel purchased and thereby determine their carbon footprint."

It was "of utmost importance that policy makers recognise where the responsibility of the different stakeholders lies in respect of shipping's decarbonisation and adopt pertinent legislative provisions".

The UGS also underlined the importance of a much-discussed "massive effort in R&D into new fuels and technologies" for the industry in view of the likelihood that non-fossil fuels will not be available in sufficient quantities to power shipping in the next decade.

The shipping industry was willing to contribute to the necessary fund but could not put it into effect by itself, it said.

The emerging picture of the EC plans for shipping suggests that revenues from the EU ETS will not be channelled towards such a fund, as owners had hoped.

Greek owners also said that it was "regrettable" that the EU was opting for its own regional regulations for the sector despite steady protests from shipping circles.

Shipping was "an international industry, comprising a very large number of private proprietary SMEs and mainly engaged in cross-trading across many different jurisdictions [that] demands international solutions", it said.

"We sincerely hope that the EC's imminent initiatives will not undermine the global competitiveness and sustainability of the EU shipping industry, an industry that still controls almost 40% of the world's oceangoing fleet," Mr Veniamis said.

Another contentious issue related to how the industry was to be included in the EU ETS was whether it would cover only intra-EU trade or also international voyages.

Sources have suggested that, too, has been resolved in a way unlikely to be popular in shipping circles, with 50% of emissions from international voyages also looking set to be included.

The final proposals are expected to be published on July 14 as part of the EU's broader package of climate action labelled "Fit-for-55".

Dry bulk FFA volumes surge to fresh high

SURGING demand for commodities such as iron ore have not only lifted bulk carrier earnings but fuelled the strongest first-half result ever for dry bulk freight future volumes.

Forward freight agreements bought or sold for bulk carriers surged to just under 1.3m lots, equivalent to nearly 1.3bn tonnes of freight in the first half of 2021, data from the London-based Baltic Exchange show.

The higher volumes signal yet another stellar year is in store for the dry freight derivatives sector, which reported more than 1.5m lots in volumes for all of 2020, returning trading to the halcyon days of 2008.

The financial contracts allow buyers or sellers to fix the future price of freight to hedge against volatility and are used as a risk management tool.

Volatile freight rates — which have seen capesize earnings rise from $10,000 daily last December to surpass $40,000, collapse to half these levels before rising again — are underpinning the surge in FFAs.

The first-half results are the highest volumes in records going back to 2007 and compare to the almost 1.2m lots traded in the first six months of 2008. The volumes are 35% greater than the same period last year.

By contrast, tanker FFA volumes dropped to the equivalent of 292.3m tonnes of seaborne crude or refined products in the first half of 2021, compared with 411m tonnes for January-June 2020.

This came despite record daily volumes trading on May 21, amid rising speculation that US sanctions on Iran would be lifted, which would impact not only the price of crude but available tonnage in the crude tanker market.

Tanker rates have been consistently low and rangebound, unlike global oil prices indices, which has discouraged trading in freight.

Dry bulk rates have been boosted by record demand for iron ore and grains, especially in China, which has seen capesize and panamax rates touch the highest since 2010.

That has also led to increased demand for supramax vessels, with added support coming from handysize FFAs which began trading in April.

Based on data from the United Nations Conference on Trade and Development for seaborne coal, iron ore and grain shipments, 2020 FFAs represented 48.5% of the market, up from 42.5% the year before.

But the half-year results suggest that trading in FFAs is almost at levels that measure nearly 80% of the physical trade, a development not seen since 2008.

Volumes are reported by shipbrokers to the London-based Baltic Exchange, which publishes the indices against which contracts are settled.

Ever Given begins exit from Suez Canal after compensation deal

THE *Ever Given* is leaving the Suez Canal, its owner Shoei Kisen Kaisha has confirmed.

The 20,000 teu boxship (IMO: 9811000) which blocked the canal in March is underway toward northern Europe at about 9.5 knots.

"Shoei Kisen Kaisha are pleased to confirm that, following the conclusion of a formal agreement with the Suez Canal Authority, the vessel and her crew have departed the Great Bitter Lake in the Suez Canal," the company said in an emailed statement.

"*Ever Given* will proceed to Port Said, Egypt where a dive survey of the vessel will be completed. Subject to approval from the vessel's classification society, the American Bureau of Shipping, *Ever Given* will then complete her voyage to the next port where her cargo will be discharged."

The ship has sat anchored in the Great Bitter Lake, at the canal's midway point, since it was freed from the sandbank on March 29, amid a legal row between its owners, insurers and the Suez Canal Authority over compensation for the salvage effort.

A deal agreed this week was formally signed at a ceremony on July 7 at the SCA's Ismailia headquarters. No details of the final settlement were given.

Shoei Kisen Kaisha thanked the *Ever Given*'s master, officers, and its crew: "Your hard work and professionalism exemplifies the very best of those who serve at sea."

The Japanese company said the crew's families had also faced the uncertainty of not knowing when their loved ones would return home.

It also thanked the SCA, saying its relationship with the authority had been "maintained and even strengthened through this experience".

It added: "We recognise the tremendous importance of the goods carried by our vessels and we regret the impact that the voyage delay has had on those with cargo stuck on board, but we can assure all cargo interests that throughout this matter every effort has been made to minimise the delay and to secure the release of the vessel as quickly as possible.

"We are looking forward to the vessel returning to operations in due course."

Insurer the UK P&I Club thanked "the many parties who have worked tirelessly to bring about today's outcome".

The club thanked its lawyers and advisers for their work to defend the owners' interests, as well as the International Chamber of Shipping, "whose network of international connections provided invaluable support in the negotiation process".

It said *Ever Given*'s crew had worked closely with the SCA, salvors, investigators, lawyers, and countless others in addition to their routine duties, "and throughout it all have consistently displayed a patient professionalism that is truly admirable".

Technical manager Bernhard Schulte Shipmanagement also thanked the master and crew for "their resilience and professionalism".

Evergreen, the vessel's charterer and whose customers' cargo is onboard the long-delayed ship, said only that it had been notified that an agreement had been signed settle the compensation and to lift the ship's arrest.

"Evergreen sincerely appreciates the efforts of all concerned parties and will keep in close contact with the shipowner to resume the chartered vessel's voyage," it said.

ICS secretary-general Guy Platten welcomed the deal and said the *Ever Given's* mainly Indian crew could now be relieved.

He said the Suez Canal incident highlighted the importance of seafarers to the world economy and called for easing of travel restrictions to relieve the crewing crisis.

"Now that the *Ever Given* issue has been successfully concluded we must not forget the 1.5 million seafarers across the world. There are many lessons to be learned from the in-depth inquiry still underway, but we are pleased to see the *Ever Given* sailing again."

The owners and insurers had reached an agreement in principle last month.

The SCA had lodged an initial demand for more than $900m in compensation, including $300m for a "salvage bonus" and a further $300m for "loss of reputation".

That was later cut to around $600m, and has also indicated that it would allow *Ever Given* to proceed on payment of security in the order of $200m.

ANALYSIS:

Box volumes show little sign of let-up

GLOBAL container volumes on the major deepsea trades hit their second highest monthly total ever in May, as prolonged strong demand continues to show little evidence of running out of steam.

Latest figures published by Container Trades Statistics shows that carriers shifted 15.2m teu in May, up 1.7% on the previous month and 14.3% on May 2020.

More significant, however, is how the year-to-date total of 73.3m teu through the first five months of 2021 is not only 13.9% up over last year, but also 5.6% up on the corresponding period of 2019, or pre-pandemic.

According to CTS, volume gains in May continued to be driven by healthy Far East exports.

Transpacific trade between Asia and North America grew 1.7% to 1.9m teu over April, while Far East-Europe box numbers of 1.4m teu, represented 1.1% growth.

"Demand on these trades is showing no respite. All this and the peak season hasn't even started yet (officially)," said CTS.

Sustained strong demand has down little to quell the shortage of export containers in ports across North America and Europe, but figures from the backhaul trades in May suggest numbers are increasing. CTS noted that trade from Europe and North America to the Far East was up by a respective 2.8% and 2.3% over April.

However, CTS Price Indices, covering both spot and contract rates, highlight how the issue is far from being resolved with significant rises reported through May.

"The price indices continue their rise on these Far East head hauls: 170 on the Transpacific (+27), 185 to Europe (+28). And on the backhauls, albeit less spectacularly: 86 (+6) from North America and 122 (+10) from Europe."

CTS added that given the current conditions it is unsurprising that spot rates continue to dominate the market, but it is also a sign that carriers have allocated all available capacity and are still struggling to meet demand.

With rates climbing across the board, the CTS Global Price Index reached a new high of 132 points in May, up 14 points on the previous month.

Given the trajectory of other indices in June there is every chance the CTS assessment will climb further still amid continued port congestion in both Europe and North America, plus the added disruption at terminals in Yantian, China, which were forced to close due to a new wave of coronavirus infections.

The disruption in Yantian too was felt throughout the Pearl River Delta, as cargo backlogs led to widespread congestion both at the quayside and inland.

With Far East exports the underlying strength behind volume growth so far this year, the CTS data for June's volume figures will indicate how much the delays impacted the market.

MARKETS:

ONE said to be in talks for six 24,000 teu newbuilds

OCEAN Network Express, the world's sixth-largest container shipping carrier, is said to be planning to add another half dozen 24,000 teu ships into its fleet.

Industry sources suggest the Japanese line is in talks with tonnage providers and shipyards about the newbuilding project.

ONE signed a 15-year contract with compatriot owner Shoei Kisen Kaisha in December to charter in six scrubber-fitted ships of the same size, which are currently the largest in this sector.

The fresh tonnage, which will be constructed by a Japanese consortium consisting of Imabari Shipbuilding and Japan Marine United, is scheduled for delivery in 2023/2024.

Shipbuilding sources said the negotiations this time also involved Seaspan, now part of US-listed Atlas Corp.

"If ONE chooses to charter the vessels from Seaspan, yards in South Korea and China will likely win the orders," said one source.

ONE said in an emailed statement it was analysing its newbuilding options. "Nothing is yet firm and ready for public announcement at the moment," it said.

Seaspan has been approached for comment.

The Hong Kong-based owner has actively expanding its fleet since last year.

It now boasts an orderbook of 55 ships, with the latest order for 10 dual-fuel units set for hire by Israeli carrier Zim.

While most of Seaspan's orderbook is in the range of between 12,000 teu and 15,000 teu, a pair of 24,000 teus were placed at China's Yangzijiang Shipbuilding in February, with a long-term commitment to Geneva-based carrier Mediterranean Shipping Co.

Industry sources said ONE needed to match the scale of super-sized boxships that will be operated by The Alliance partner Hapag-Lloyd.

The latter last month ordered a sextet of dual-fuel 23,500 teu due to be delivered in 2024 by Daewoo Shipbuilding & Marine Engineering, pushing the number of vessels of this size and type on its orderbook to a dozen.

In its newest weekly report, Alphaliner said ONE might well follow Hapag-Lloyd's example.

Citing unconfirmed reports and broker sources, the consultancy named two yards — Japan's Nihon Shipyards, a joint venture between Japan Marine United and Imabari Shipbuilding, and China's Hudong-Zhonghua Shipbuilding, part of China State Shipbuilding Corp — that might be involved in ONE's newbuilding project.

Based on confirmed orders, its estimates show that The Alliance, which, as well as Hapag-Lloyd and ONE, includes HMM and Yang Ming, will be just six ships short of a fleet that could run four weekly services of 24,000 teu vessels on the Far East-Europe trade.

In reality, however, carriers could run the services by supplementing smaller neo-panamaxes, and cascade the earlier sub-20,000 teu ships to other lanes, such as the transpacific and Asia-Middle East.

"Nevertheless, additional megamax orders from ONE would not come entirely out of the blue and could make sense in the bigger picture," said Alphaliner, referring to vessels of 24,000 teu.

TS Lines orders four 7,000 teu newbuilds at Waigaoqiao

SHANGHAI Waigaoqiao Shipbuilding, part of state conglomerate China State Shipbuilding Corp, said it had won an order for four 7,000 teu containerships from Taiwan's TS Lines.

The 272.5 m long, 42.8 m wide eco-design newbuildings will meet the NOx Tier III standards and the phase 3 requirements of the Energy Efficiency Design Index.

The yard said it now has an orderbook of more than 7,000 teu vessels with the latest deal.

Demand for replacing older and dirtier tonnage of such size appears to be on the rise as a relatively small number of orders has been placed over the past decade.

Israeli carrier Zim earlier this week also signed a contract with shipowner Seaspan to charter in and build 10 dual-fuel 7,000 teu boxships.

"We see these modern 7,000 teu to be the natural successor to the ageing global pool of conventional vessels in the 4,000 teu-9,000 teu range, where relatively little fleet renewal has taken place," said Seaspan chief executive Bing Chen.

Such type of mid-sized ships, far more flexible than bigger tonnage, can be used in various trades, such as intra-Asia, transpacific and transatlantic.

They also enjoy potential benefits on congested trade lanes, being able to handle cargo in a quicker manner and fit into smaller loading-time slots.

Meanwhile, the ordering of 7,000 teu vessels is seen as a logical next step for fleet replenishment as lines have piled up orders for the mega ships exceeding 15,000 teu.

Speculation about the TS Lines order has circulated in the market in recent months as the Taiwanese carrier focusing on intra-Asia trade quickly expands its fleet via ordering new ships and acquiring secondhand tonnage.

The company was said to be in talks with yards about orders for a number of 1,800 teu and 1,000 teu ships that could be contracted by 2021.

It is also considering an initial public offering on the Hong Kong Stock Exchange in the second half of the year, according to local media reports.

Carrier capacity crunch sees sales records broken

CONTAINER carriers and tonnage providers have been fighting for tonnage this year as they seek to find sufficient capacity to meet cargo demand.

Where it has been unavailable to charter, lines have been forced to buy and the volumes of sales has shot up in the first six months, according to data from Alphaliner.

Over 1m teu of second-hand capacity has changed ownership in the period from January to June, with 301 transactions taking place.

"The volume represents the largest teu amount ever bought and sold in a six-month period, and suggests owners and carriers have confidence in continued strong demand for container shipping in the future," Alphaliner said.

The volume of transactions was unaffected by the steep increase in asset values.

"There remains a significant lag between ship values and charter rates which carriers and NOOs [non-operating owners] are keen to exploit," it said.

It noted that its own charter rate index had risen by 286% in 12 months, making chartering increasingly expensive for carriers.

Mediterranean Shipping Co had emerged as the most voracious buyer in the carrier segment, acquiring 72 vessels comprising 289,950 teu since it began its buying spree last August.

In the first six months of 2021, the company was responsible for just under a fifth of all sales, by number and teu, "a buying binge that is unparalleled in container history".

The shortage of available vessels meant that a large number of older ships were changing hands as well, often for highly inflated prices.

"This renewed interest in older tonnage can be seen across the market," Alphaliner said. "The average age of ship sold has now risen from 12 years in 2019, to 14 years in the first half of 2021.

"Vessels built in the 1990s have again found enthusiastic buyers and three 25-year-old units over 1,000 teu were sold during 2021 to MSC, RCL and Tehama Shipping."

The high demand and short supply have resulted in prices more than doubling from previous levels.

Alphaliner noted the sale of the 1,700 teu *MCC Kyoto* (IMO: 9357547), which sold for $21.5m in June, while similar vessels were selling for $7m-$8m as recently as January.

The 4,992 *Mexico* (IMO: 9231779) was reportedly sold to MSC for $50m, which Alphaliner described as "a whopping price for a nearly 20-year-old ship".

IN OTHER NEWS:

Greek ferries face further losses as fuel prices offset traffic gains

GREECE's coastal ferry industry has welcomed an improvement in traffic while braced for a second consecutive loss-making year as well as longer-term challenges.

Traffic in Greek waters in June was up 45% compared with the year-earlier period, while cross-Adriatic traffic was almost double that in the same month of 2020, according to the Association of Greek Passenger Shipping Companies.

Michalis Sakellis, the association's president, told Lloyd's List that traffic flows in early summer have been "better than we had expected" as Greece strives to open up as a holiday destination and increasing numbers of Greeks themselves are vaccinated.

Safe Bulkers clinches newbuild kamsarmax deal

SAFE Bulkers, a Greek shipowner, said it had acquired a Japanese-built kamsarmax newbuilding with scheduled delivery in the fourth quarter of 2023.

The 82,000 dwt vessel is designed to meet the latest requirements of the International Maritime Organization's Energy Efficiency Design Index phase 3 related to greenhouse gas emissions, the US-listed company said in a statement.

It will also comply with the latest NOx emissions regulation, NOx-Tier III. The acquisition will be financed from cash reserves.

Nobu Su jailed for two years for contempt of court

DISGRACED Taiwanese shipowner Nobu Su has been jailed for two years for what a judge described as "the most serious campaign of contempt before the English courts".

Judge Sir Michael Burton QC, sitting in London's Commerical Court (Queen's Bench division), said that the offences merited a longer custodial sentence but the law only permitted 24 months.

This is Mr Su's third conviction for contempt of court. He has already served 21 months in prison, and was released in April, 2020.

UK clubs join ranks of marine mutual loss-makers

ANOTHER two International Group affiliates have joined the ranks of loss-making P&I clubs.

The UK Club reported a deficit of $52m for the year ending February 20, 2021, compared with a surplus of $54m for the previous 12 months, while the Standard Club UK reported a $1.7m loss, slightly less than last time round.

Many industry observers expect all 2020-21 results from IG affiliates to be in negative territory, due to the impact of the pandemic and record levels of pool claims.

Avance Gas secures sustainability-linked funding for two VLGCs

AVANCE Gas, an owner of very large gas carriers, said it had secured a $104m sustainability-linked facility to finance two dual-fuel liquefied petroleum gas newbuilds.

The Norwegian company completed the deal for the facility with a syndicate of banks for two 91,000 cu m vessels which are being built at Daewoo Shipbuilding & Marine Engineering's yard in South Korea. Delivery is scheduled for the fourth quarter of 2021 and the first quarter of 2022.

Oslo-listed Avance said the loan would have an annual sustainability margin adjustment mechanism linked to the "company's ambition to reduce and outperform the carbon intensity targets set in the Poseidon Principles".

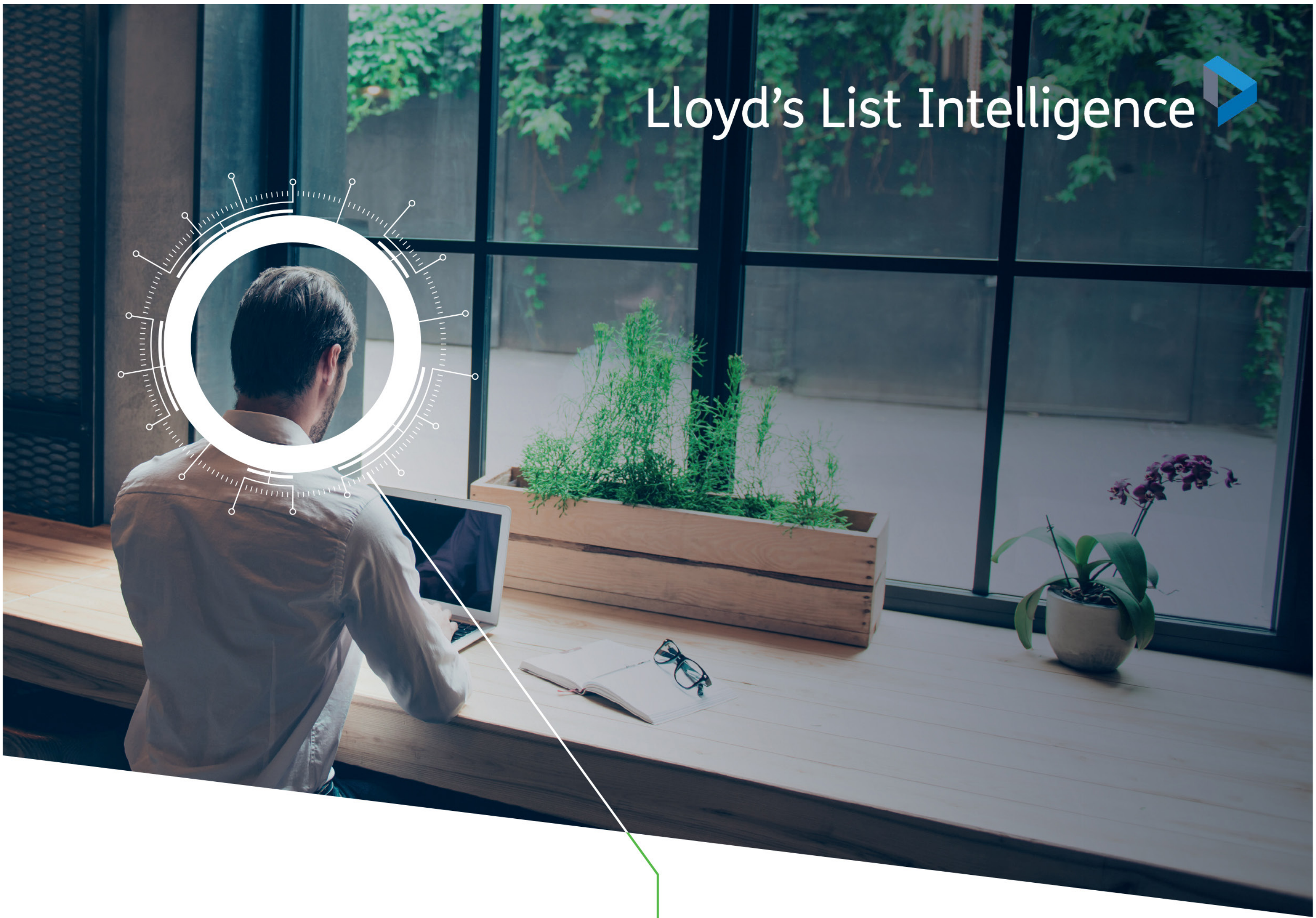
Florida ports closed ahead of tropical storm

FLORIDA's ports of Tampa Bay and Jacksonville are bracing for the impact of Tropical Storm Elsa.

The weather system, which was downgraded from hurricane status on July 7, has recorded maximum sustained winds close to 70 miles per hour (115 km/h) and was forecast to reach the state's northwest Gulf coast within hours, according to updates from the National Hurricane Center.

Elsa is forecast to make landfall along the north Florida Gulf coast later in the day before moving across the southeastern US, the NHC said.

Classified notices follow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