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EU to tax international shipping emissions and limit GHG fuels under new proposals

THE EUROPEAN UNION should tax international shipping emissions and domestic bunkers and require owners to buy cleaner fuels and ports to ramp up supply of shore power and liquefied natural gas as fuel, according to new proposals.

The European Commission has published a set of legislative proposals to enable the EU to attain its 2030 target of reducing its greenhouse gas emissions by at least 55% by 2030 compared with 1990 levels.

The "Fit for 55" package includes 10 proposals, four of which are directly related to maritime and will have wide-ranging international repercussions for both shipping emissions and costs.

Among the most consequential ones are the expansion of the EU Emissions Trading System, the bloc's carbon market, to include shipping and the imposition of the first greenhouse gas intensity requirements on shipping fuels, through the FuelEU Maritime.

Each of these two proposals would cover just under 70% of annual shipping carbon dioxide emissions related to the European Economic Area, including parts of international voyages to and from EEA ports.

The proposals would mark the most aggressive policies on shipping emissions and decarbonisation as well as the official launch of an attempt to impose unilateral measures on shipping, including international shipping, ahead of the International Maritime Organization, the global maritime regulator, which has repeatedly

denounced efforts by the EU to regulate international shipping emissions.

All of these proposals have to be negotiated with the European Parliament and EU member states before they can be adopted.

Both the ETS extension and the FuelEU Maritime concern ships of at least 5,000 gross tonnes regardless of flag. Both proposals also put the responsibility on shipowners to comply, in line with existing requirements.

However, in a first, the ETS and FuelEU Maritime recognise the "polluter pays" principle and state that a shipping company could hold the entity responsible for the vessels emissions or the GHG intensity of the fuels, respectively, accountable for the compliance costs "by means of a contractual arrangement".

"This entity would normally be the entity that is responsible for the choice of fuel, route and speed of the ship," the proposals said.

This part was not included in leaked versions and Lloyd's List understands it was added over the past few days due to pressure from industry to recognise the role that charterers have in emissions.

The ETS works as a cap and trade scheme, in which companies buy emissions allowances from a limited pool, where one allowance equals 1 tonne of emitted CO_2. After the end of the year they need to surrender enough allowances to cover their ships' emissions for that year.

If they have more allowances than they need, they can sell them to other companies which require them or can keep them for next year.

While the commission wants shipowners to begin complying with the ETS from 2023, it is also proposing a gradual introduction of the measure; an owner would have to pay just for 20% of a ship's emissions in 2023. That share then increases annually to reach 100% coverage in 2026.

However, shipping companies will not be getting free allowances from the EU.

If shipping was in the ETS in 2020 under this geographical scope and with 100% coverage of the relevant emissions, 81.2m tonnes of CO_2 of the total 119.9m tonnes of CO_2 emitted in EEA-related voyages would have been covered, according to a recent Lloyd's List analysis.

Each shipping company will be assigned to a specific EU member state authority that will oversee their compliance.

If a company does not surrender the right amount of allowances by April 30 of the following year, it must pay an extra €100 ($118) fine per tonne of CO_2 equivalent it did not have allowances for.

Companies that have not complied for two consecutive years could be denied entry from EU ports, if the member state that is responsible chooses that option.

"As a result of the issuing of such an expulsion order, every Member State shall refuse entry of the ships under the responsibility of the shipping company concerned into any of its ports until the company fulfils its surrender obligation," the commission's proposal said.

The proposal also suggests that there be a review clause that will also take account progress made at the IMO.

"While the recent progress achieved in IMO is welcome, these measures are insufficient to decarbonise international shipping in line with international climate objectives," the commission said in its proposal.

First-ever GHG intensity rule for fuels

FuelEU, the proposal from the commission's transport division, DG Move, will force vessels to call at EEA ports to improve the GHG intensity of the fuels they use for those voyages.

These requirements begin with a 2% improvement in 2025 and grow every five year to reach 75% in 2050.

The requirements would take into account the GHG emissions a fuel generates throughout its lifecycle, from its production to its final consumption by the ship, not just its use by the ship.

Shipowners have protested at the FuelEU because it puts the onus of sourcing these alternative fuels on them rather than on their producers. With the rules extending beyond just domestic voyages, they will be responsible for finding these fuels abroad.

Both industry and environmentalists have criticised the commission for in effect promoting the consumption of biofuels, which can have questionable sustainability credentials especially

when sourced from regions the EU has no jurisdiction over.

The commission has also been criticised for in effect pushing the development and use of LNG, which has lower CO_2 emissions than heavy fuel oil, but is still a fossil fuel and suffers the slip of unburned methane, a GHG that is over 80 times more warming than CO_2 on a 20-year horizon.

The proposal also allows owners of different ships together to help each other with compliance, provided those ships are verified by the same verifier.

If in a pool one ship is over-compliant with the requirements of the previous year, while another is not, the first can transfer its excess credits to the second.

The regulation does not specify how exactly that happens, but the implication is that in cases where two ships are owned by different companies, one company could sell its credits to the other in need.

Companies that are not compliant with the rules by May 1 of the following year will have to pay a penalty. The money would go into a green fuel fund and they can get a certificate of compliance once they pay.

From January 2030, containerships and passengerships at EEA ports will also have to connect to onshore power supply and "use it for all energy needs while at berth".

The commission has estimated that the estimated cost of the proposal would be €89.7bn. That includes €25.8bn from increased capital costs and €63.9bn in fuel costs, while ports would require an extra €5.9bn in extra infrastructure.

Development of LNG refuelling hubs

With requirements on shipping fuels, the commission also wants ports to act to complement these new rules.

In a revision of the directive for alternative fuel infrastructure deployment, it tells governments that ports should develop "adequate" refuelling points for LNG as a fuel from January 1, 2025.

Like the FuelEU Maritime, this directive also focuses on onshore power supply for containerships and passenger ships of at least 5,000 gt at key EEA ports.

It says that by January 1, 2030 ports with over 50 average annual containership calls over the past three years need to be able to have shore-side power output to cover at least 90% of that energy demand.

Likewise, ports with more than 40 average annual calls of ro-ro passengerships and high-speed passenger crafts over the past three years, and over 25 calls of other passengerships, will need to be able to supply the same amount of onshore power by 2030.

Taxes on bunkers

The revised Energy Taxation Directive proposes a minimum €0.90 per gigajoule tax on bunker fuels used for intra-European maritime voyages from January 1, 2023.

The tax is just 12% of what other sectors that use fossil fuels such as gasoline and diesel will be charged because of the risk that shipowners and operators would otherwise source bunkers outside the EU, the directive said.

Petrol and gasoil for land transport would be charged at €10.75 per gigajoule, with kerosene used for jet fuel exempt.

The tax rate for liquefied natural gas used as bunkers is set at €0.60 per gigajoule, compared with €7.17 per gigajoule for other uses. The lesser tax for LNG used as bunkers is based on a structure that rates fossil-based energy products based on their energy content and environmental performance.

Bunkers are normally exempt from taxes but the EU is introducing the charges over a 10-year transitional period from 2023.

Countries have an option to impose their own tax for extra-European voyages provided that it is no less than this minimal rate.

"For extra-EU waterborne navigation, Member States may exempt or apply the same levels of taxation mentioned before, according to the type of activity," the directive said.

Ammonia and advanced biofuels used in shipping would be exempt to encourage sustainable alternative fuels, according to the revised directive.

Along with a "well-calibrated" emissions trading scheme for the maritime sector, the favoured option of taxes set at these levels would achieve goals to reduce emissions by 55% by 2030, based on 1990 levels, the report said.

The impact assessment found the taxes would not place any undue burden on the economy.

They amount to a 2% rise in the cost of using heavy fuel oil as bunkers and a 1% rise in the price of LNG as bunkers, said Jacob Armstrong, shipping policy officer for non-governmental organisation Transport and Environment.

He said the emissions trading scheme which places a price on carbon used on shipping "was where all the heavy lifting would be done", in cutting shipping emissions.

Unlike other environment proposals, the tax directive would need to approved unanimously by all countries, rather than by a majority, Mr Armstrong said.

"Marine fuels are not going to be significantly higher and hopefully member states like Greece, Cyprus and Malta will let it through," he said.

WHAT TO WATCH

Maritime's absence from UK decarbonisation plan criticised by trade body

MARITIME UK has described the UK's decarbonisation plans as lacking detail, commitments or funding on how to make shipping greener.

The trade group was reacting to publication of the government's 80-page Transport Decarbonisation Strategy on July 14.

Most of the document concerns aviation and road transport. But the plans also include a pledge to "lead the transition to green shipping" and the claim that "by 2050, zero-emission ships will be commonplace globally".

However, Maritime UK chief executive Ben Murray said the net-zero drive largely overlooked maritime, with no headline commitments and no money to help the task.

"The plan rightly recognises that power points need be installed around the coast, but there is no reason to delay getting on and installing them," he said. "We know how other countries have got there and that is through co-investment by industry and government."

The plan notes existing policies such as incentives for biofuels. It said more work was planned on how to support the uptake of low-carbon fuels in maritime and aviation.

It said the UK would continue to concentrate its efforts on transitioning the sector to zero emissions.

"Alongside this, we will continue to cooperate with other high ambition states to agree short-term measures to peak and reduce emissions, and make a case for more ambitious reductions in advance of the revision of the Initial IMO Strategy on reduction of GHG emissions from ships," it said.

UK transport secretary Grant Shapps said the plan sets out "further commitments for our maritime sector, establishing our 'course to zero', consulting on how we get more ships plugging in to our decarbonised grid, exploring how we phase out emissions from vessels, and considering how we take advantage of the UK's strengths in the maritime sector to support growth in green technology and shipbuilding".

Mr Murray said the UK could find the solutions to propel net-zero vessels, noting the recent Clean Maritime Demonstration Competition in aid of this.

"If we are to level up our coastal communities and bring shipbuilding home, we need government to do what other maritime nations do, and invest in research and innovation on a scale similar to UK automotive and aviation," he said. "A spending review this autumn must provide the investment to make these commitments real."

Kerry McCarthy, the opposition Labour Party's shadow transport minister, said the plan "has been a long time coming, but it was barely worth the wait".

Cyprus emerges as sanctions workaround for Venezuela oil shipments

THE Cyprus maritime and business sector is being used by shipowners in the European Union to register and flag tankers involved in Venezuelan oil trades with tacit acceptance from the republic's shipping ministry, a Lloyd's List investigation has found.

At least 11 elderly tankers involved in Venezuelan trades have moved to the Cyprus flag over the past 12 months and ownership shifted to a series of newly incorporated single-ship companies in Limassol, according to Companies House records.

It is the first time that an EU member country has been observed registering and flagging vessels shipping US-sanctioned crude from the South American country.

The influx of tanker tonnage to the Cyprus flag registry, the world's 11th-largest, signals a strategic shift from owners and the Republic of Cyprus and tests the limits of US enforcement.

US sanctions, first imposed on Venezuela January 2019, have restricted or limited trade with its government or its state oil company Petroleos de Venezuela, SA (PDVSA).

However, the legal position of non-US persons or companies without links to the US is opaque.

Although the EU has imposed sanctions on some Venezuelan citizens, unlike the US these do not directly cover Venezuela's oil and shipping sector.

There is, therefore, no suggestion that any of the Cyprus-flagged vessels tracked by Lloyd's List have breached any sanctions.

The country's deputy shipping ministry told Lloyd's List the Republic of Cyprus was only committed to enforcing European Union and United Nations sanctions and not those imposed by the US.

Cyprus "has no competence or legal basis for enforcing sanctions that have not been imposed by either the UN or the EU," the ministry said in an emailed response.

Still, trading cannot be done using US currency, which complicates any transactions and rules out those European shipowners exposed to the US financial system via their financial, banking, legal and insurance structures.

Of the 11 Cypriot-flagged tankers, 10 are linked via a complex ownership structure over the past 12 months to Greek shipowners, Greek-registered companies or were formally owned by Greek owners before their sale and reflagging.

There are seven suezmaxes, three very large crude carriers and one aframax tanker. Vessel tracking shows they are shipping crude from the South American country to destinations in Asia involving millions of barrels of crude.

They comprise 41% of tanker tonnage over 10,000 dwt now flying the Cyprus flag, data from Lloyd's List Intelligence show.

Port call bans on Cyprus-registered ships imposed by Turkey 40 years ago often precludes tanker tonnage from the flag, given this prevents the option of loading or discharging at the Baku-Ceyhan pipeline.

The suezmaxes include the *Cape Bella V* (IMO: 9232929), *Zenith* (IMO: 9236016), *Cecilia A* (IMO: 9228655), *Amoroza* (IMO: 9224439), *Berlina* (IMO: 9224453), *Saint Marcella* (IMO: 9248825) and *Amethyst MTS* (IMO: 9233777). All were purchased over the past 18 months and since deployed on Venezuelan trades.

The three VLCCs — *Hari* (IMO: 9197909), *Mirage* (IMO: 9216717) and *Niki* (IMO: 9174220) — were formerly owned by Greek owners before their sale and registration and reflagging to Cyprus.

Unknown owners bought the aframax tanker *Reliable* (IMO: 9187760) in January from Thai owners, registered and reflagged it to Cyprus, and then sailed the vessel to waters off Venezuela, where it now remains.

Mirage and *Niki* both formerly had the John Angelcoussis group as their beneficial owner before they were sold in December 2020. Their new beneficial owners are unknown, Lloyd's List Intelligence data show.

Hari was commercially operated and beneficially owned by the Evalend Shipping Co until its sale and reflagging in December. Its new beneficial owner is also unknown.

In June 2020, the Union of Greek Shipowners publicly stated its commitment to implementing the

US order to ban trade and economic transactions with Venezuela.

In a statement at the time, UGS president Theodore Veniamis "emphatically stated that the Union of Greek Shipowners remains committed to implementing US sanctions measures and would continue to urge its members to refrain from conducting any business with Venezuela until there is a change in regime".

Cyprus-based Andreas Kleanthous, from BIA Business Investment & Advisors, is listed as director of the registered company, Highmedsea Shipping Ltd, that owns the tankers Berlina and Reliable.

Intrainvestco Ltd — of which Mr Kleanthous is also the director and secretary — is also the secretary of Virosa Shipping Ltd, which is the technical and IMS manager of *Berlina*, *Saint Marcella* and *Cecilia A*.

Mr Kleanthous told Lloyd's List that he was a professional corporate agent who abides by strict confidentiality rules and provided an office address, director and secretarial services.

"We are not involved nor have any knowledge of the specific business activities of each of the companies to which such services are provided," he said in an emailed response, adding that he had not heard of these companies trading with Venezuela.

OPINION:

Seafaring in 2050 will be a nightmare, unless....

FORECASTING the future is still an uncertain art, even in this era of advanced technology, *writes Richard Clayton*.

It takes courage — or foolishness — to make suggestions about the future of seafaring as a profession two or three decades ahead.

Courage, because the forecasters know they will be wrong about most things, and foolishness because their reputation is on the line because they will be wrong.

Which is why the latest forecast, A fair future for seafarers?, from the technology consultancy Thetius, sponsored by Inmarsat, the connectivity provider, should be read carefully.

Alongside the valuable insight about the likely state of the industry in 29 years' time, there is a strong predilection for technology.

By 2050, the authors state, artificial intelligence, additive manufacturing, and extended reality will be part and parcel of our lives. Generation Alpha will be "so immersed in digital technology that the analogue world is foreign to them."

If the promises of automation are realised, by 2025 there will be two groups of seafarers: A small number of highly-trained, highly-skilled, and highly-valued workers will be required to act as vessel operators, and a second group likely to be "engaged solely in vessel maintenance, carrying out relatively low skilled but dangerous work for less pay."

If working conditions of many of today's seafarers are "only a few rungs up the ladder from slavery," according to this journal in a think-piece published to mark the International Maritime Organization's Day of the Seafarer, how soulless will the work be for this second group of seafarers in 2050?

There is a tension in this forecast that must not be overlooked.

On the one hand, advanced tech will enable a reduction in crew sizes to an absolute minimum level — so small that basic medical and maintenance procedures will have to be beamed from afar to the technicians onboard.

While on the other hand, it is acknowledged that research has shown that, between 1976 and 2002, 87% of reported suicides at sea happened on deepsea ships and were blamed on "recent reductions in crewing numbers."

So advanced technology will have to be installed onboard to tackle the problems created by earlier technologies.

Meanwhile, the highly skilled and valued technicians — they will hardly be seafarers — will be required merely to monitor the technology. They will lose the shiphandling skills of older generations, they will suffer from "mental underload" and, with

very little opportunity to go ashore, those who physically go to sea in 2050 will spend almost all their time onboard.

In short, seafaring in 2050 will be a nightmare, despite having access to the latest-generation iPhone so they can stream League of Legends, Dota, and other eSports

The clue to unlocking this tension, and the balance this forecast is crying out for, is the simple statement that "humans are social animals."

Humans interact with one another much better than they do with technology. It's hardly ever a perfect interaction and can always be improved. Indeed, for matters of safety of life and protection of the environment, interaction must become better.

But the need for improved seafarer welfare, which takes up a chunk of this forecast, is really about how humans should be using technology for the good of their colleagues.

Technology graduates have a tendency to be dazzled by technology. They often misunderstand the importance of psychology and sociology — which explains why the highly-trained vessel operators of the future will likely be taught soft skills including emotional intelligence, critical thinking, and how to communicate with another human being.

Shipping is a people business; an activity in which humans make use of whatever technology is available at the time in pursuit of profit. It is not a technology business in which people are an after-thought.

The fair future for the seafarer is achievable by 2050 but only if there is a better balance between technology and human element.

The British P&I club writing hull and machinery

IN British marine insurance — which serves much of the world fleet, of course — the traditional division of labour has always been clear.

P&I cover has been written by P&I clubs, the clue being in the name; hull and machinery has pretty much been the exclusive province of Lloyd's.

But there's nothing in law to say things have to be that way, of course. H&M has long been a staple of Scandinavian clubs, written on a commercial basis to subsidise the mutual membership.

Indeed, Gard is likely the world's single biggest hull underwriter right now.

In 2015, the Americans got in on the act, with the American Club effectively taking over the old Hellenic Hull Mutual Association to launch American Hellenic Hull Insurance Company, again on a for-profit footing.

North has historically long expressed a desire to get into commercial hull. In February 2011, it bought Marine Shipping Mutual Insurance, a mutual hull and machinery club in run-off, and unveiled plans to use it as a launchpad for a fixed premium H&M product.

But three months later, it announced it had decided not to do so, citing insufficient business and market instability for the U-turn. Yet even at that time, it insisted that it nursed a long-term ambition to get into the niche.

It got a step closer in 2014, when North P&I Club acquired Sunderland Marine Mutual Insurance Company, which specialised (and continues to specialise) in fishing vessels, including H&M.

North finally took the plunge properly last year, poaching a number of Lloyd's hands and setting up a London office from which to base the product. It now regards itself as part of the London companies market.

"From a strategic point of view, North has been clear we are in the diversification camp, as opposed to monoline P&I insurers," said North's director of underwriting Nick Wolfe in an interview.

In many ways, H&M represents a logical next step from the Sunderland Marine acquisition, and it makes sense for a number of reasons.

"Timing was one of them. We sensed the direction of the hull market was finally going the way we thought it ought to," he said. "Then there's the platform we are delivering it on. There's some great benefits to Lloyd's, but also some disadvantages. We bought in an established team with a good reputation and a good history.

"We're very clear of our objective, it's to make a return for the mutual membership. We're not here to sustain unsustainable hull rates, we want it to make a profit."

One of North's recruits was James Sutton, class underwriter for Neon Syndicate 2468, previously known as Marketform, who noted that the hull market has been difficulties for decades, largely on account of excess supply which has brought down pricing.

There has been an improved rating environment in wake of the Lloyd's Decile 10 crackdown on underperformers, but from a historically low base, and North's approach has deliberately been cautious.

"Arguably one could say North was one of the early movers back into the market, following what has been quite a notable period of capacity withdrawal over the last two years," he said.

Why buy H&M from a club? "It's aligning the products and the benefit. You've got a truly aligned risk transfer as well as the additional value-add from loss prevention and services," said Mr Wolfe. "Clients are increasingly looking for sustainable carriers they can rely on in what has been a turbulent environment in the last few years."

Those clients are not just North mutual members, but a broad mix of shipowners.

North will not be drawn on profitability, and argues that in any case it is impossible to give an accurate picture of the first policy year for a year or two yet.

However, Mr Wolfe described the first 12 months as positive, especially as the pandemic has necessitated largely virtual operation, and the financial side of things is "within business plan expectations."

ANALYSIS:

Boxship orderbook ratio could reach 25%

THE containership orderbook could rise as high as 24% of the existing fleet if a spate of unconfirmed orders go to completion, threatening an 'overheated' market and eventual oversupply.

"Ocean carriers, non-operating owners, investment banks and lessors have gone all-in on container ship newbuildings in the first half of this year, signing well over 300 vessel orders at Chinese, Korean and Japanese yards," said Alphaliner.

The tonnage on order would have an aggregate capacity of 2.9m teu, or 11.8% of the existing total boxship fleet capacity of 24.5m teu.

But when combined with orders that started again in earnest in the second half of last year, the full orderbook is now 4.9m teu, with the orderbook-to-fleet ratio doubling to 19.9% at the end of June, from 9.4% a year ago.

There was also a "grey zone" of reported but unconfirmed orders that could push up numbers, and further confirmed orders have emerged in the weeks since the end of the first half, Alphaliner noted.

Ocean Network Express is understood to be among those looking for more tonnage with an order for six 24,000 teu vessels. South Korea's TS Lines has also ordered four 7,000 teu units in the past week.

Yang Ming, which this week denied that it had returned to the yards, remains another candidate for new orders, along with Cosco, Alphaliner said.

"In short, today's 19.9% orderbook to fleet ratio is expected to keep creeping up for a few more months as further newbuilding orders are placed, and as recent orders from the 'grey zone' are successively disclosed or otherwise confirmed," the analyst said.

"Assuming that the aforementioned rumoured orders of ONE, Cosco/OOCL, Maersk and Yang Ming all go ahead, and assuming a few more top-up orders from other owners, the container ship orderbook might easily grow by another 1m teu slots to reach 6m teu."

That would push the orderbook-to-fleet ratio to around 24%.

Alphaliner expects that carriers and owners will eventually "show some level of restraint" when the orderbook hits the psychological barrier of 25%

"Anything much higher than this could once again see the market move toward a chronic oversupply situation in the long run," it said.

But increasing steel prices and strong demand for ships could soon act as a limiting factor on further orders.

The price of newbuilding tonnage had already risen by 15% in the past six months, adding a further $20m to the cost of an ultra-large containership.

While cash-rich carriers benefiting from the freight rate boom have not yet balked at prices, Alphaliner noted that many have been taking options at pre-existing prices.

It pointed out that the additional six 23,000 teu LNG-fuelled vessels Hapag-Lloyd ordered in June for $165m apiece on the back of an earlier order would, without prior commitments, cost more than $190m if ordered now.

Ship recycling rates near record levels

RISING ship recycling rates are approaching a "mythical" record as breakers compete aggressively for what limited scrap tonnage is on offer.

Propped up by rising steel prices, Bangladesh cash buyers are already paying $590 per ldt (light displacement tonnage) for containerships, while there are offers of $580 per ldt for tankers and $570 per ldt for bulkers, according to Dubai-based cash buyer GMS.

A Chittagong buyer set a new record recently by paying $585.50 per ldt for the 9,615 ldt bulker *Karunia*.

"Not since the boom year of 2008 have we seen levels quite so high, and as the mythical $600 per ldt draws ever closer, we will certainly see some fresh sales records being set from over the past decade," GMS said in its weekly report.

Demolition prices have doubled in the past year and is up 25% as compared with April this year, said Hitesh Vyas, vice-president Middle East and green co-ordinator at Wirana Shipping.

But the current prices could expect some pushback as China is trying to crack down on speculative trades to control price increases recently, he said.

Mr Vyas sees the possibility of demolition rates rising up marginally in the coming months mainly due to the shortage of recycling candidates as freight rates in both the bulk and container markets remain strong.

However, GMS said the markets may have peaked already and are now adjusting their levels in anticipation of some kind of an adjustment in the immediate future.

At present, the supply of tonnage has been increasingly centered around offshore units and tankers especially smaller bunkering tankers, medium range tankers and aframaxes.

One Singapore-based broker said many owners are holding back on committing their vintage tonnage in the hope that even better returns might be around the corner.

Most bulk carriers won't comply with EEXI rules, says Houlder

A LARGE proportion of the bulk carrier fleet will not comply with the efficiency rules that kick in in 2023, according to design and engineering consultancy Houlder.

An estimated 68% of the dry bulk fleet will "need to take some action" to comply with the Energy Efficiency Index for Existing Ships regulation (EEXI), said senior consultant Chris Bell.

He said the majority of these vessels will be able to implement an engine power limitation without significantly affecting their operations, as they are currently operating 10-20% below design speeds already.

EEXI rules, which comes into force on January 1, 2023, follow the design index for newbuildings, known as EEDI, implemented several years ago.

A carbon intensity indicator, which measures an annual efficiency ratio, has also been adopted by regulator the International Maritime Organization, with reductions targeted in stages.

Panamaxes and very large ore carriers are the least affected by the new efficiency measures, with 60% expected to already be compliant with the new regulation as they are generally newer, according to Houlder's study which examined data from Europe's MRV Thetis system and Clarksons' World Fleet Register, combined with analysis of the IMO's EEDI database. Compliance ranges from 20%-30% for the other vessel types.

Capesizes, for example, although a relatively young fleet, are designed with a larger engine margin, the study shows. Only about 23% are thus expected to comply with the EEXI without requiring modification.

"Vessels built in the last five years will have been designed to EEDI Phase 1 or Phase 2, so are unlikely to need significant modifications, but the older they get the greater the proportion that will become non-compliant," Mr Bell said in an interview.

For those that are five to 15 years old, only 20% are expected to comply without requiring any modification.

"These vessels were built before the EEDI requirements were introduced and many during the boom in bulk carrier orders, which means they have higher installed power than they perhaps required" and are therefore less likely to be compliant, Mr Bell said.

For ships older than 15 years, about 30% are expected to comply.

Houlder estimates that of the bulk carriers that do not already comply with the EEXI requirements, more than 90% will be able to implement an engine power limitation that does not significantly reduce their normal operating speeds.

Less than 6% of the fleet will need either a more significant power limitation, or some other modification, or be scrapped.

In April, Star Bulk, one of the largest listed dry bulk owners with a fleet of 130 vessels, said it would rely on engine power limitation to comply with the EEXI.

Efficiency measures can be made in the aft section of bulk carriers to improve propulsion performance such as adding propeller boss cap fins, which can lead to 3-5% fuel savings, or mewis ducts, which are proving popular, said Mr Bell.

Changing rudders is also an option, although the best measures must be determined on a case-by-case basis, depending on the hull form, size and age of the vessel, he noted.

The measures listed above, which require minimal downtime, could result in around 5% efficiency gains, said Mr Bell.

Other measures include "innovative solutions" such as wind propulsion or air lubrication systems such as the one installed on Vale's guaibamax in a recent sea trial. Downtime to install these systems could be up to two weeks, he said.

"Changing fuel will also help, such as retrofitting to use liquefied natural gas, although this is an expensive measure," he said, adding that it can reduce the attained EEXI by up to 15%.

MARKETS:

South Africa supply chains seize up amid civil unrest

CIVIL unrest in South Africa is beginning to affect the country's shipping terminals and container lines are warning customers to expect delays.

Rioting and looting have broken out in several parts of South Africa following the jailing of former president Jacob Zuma.

"The situation is quite tense due to rioting, looting, and burning of vehicles across the country," Hapag-Lloyd said in an advisory. "South African defence forces have been deployed to control the situation. In view of this, most businesses are either closed or working with minimum workforce, causing a serious disruption to supply chains."

It warned that cargo operations in Durban and Port Elizabeth were being affected, with Cape Town working as normal.

"We understand that given the situation, there will be impact to your cargo planning."

Maersk said significant incidents in the Durban and Gauteng area had resulted in it closing some of its depots and terminals being operated with skeleton staff.

"This represents a serious threat to our lives and livelihoods," it said, adding that it would not charge detention fees on containers for the period between July 12-19 due to the impact of the disruptions.

"We realise that some cargo owners will temporarily cease operations during this period resulting in the disruption of imports and exports."

Logistics and freight companies have suffered disruptions at Richards Bay and on rail freight services, Reuters reported.

State logistics group Transnet said that service levels at Durban and Richards Bay were impacted "as the entire supply chain is closed", including roads into and out of the ports.

Danaos agrees $260m deal for six widebeam containerships

DANAOS said it has clinched a deal to acquire six 5,466 teu widebeam container vessels for an en bloc price of $260m.

The Greece-based containership owner, which is among companies enjoying the current boxship boom after a number of tough years, did not directly identify the vessels but said that they were built at Hanjin Subic Bay shipyard and they have a average age of 6.8 years.

Lloyd's List understands that the vessels are being acquired from funds linked to OCM Luxembourg Park Holdings, an investment vehicle launched in 2013 by Oaktree Capital.

They are *Wide Alpha* (IMO: 9694529), *Wide Bravo* (IMO: 9694531) and *Wide Juliet* (IMO: 9698264), all currently managed by Bernhard Schulte Shipmanagement, and the OSM-managed trio *Maersk Euphrates* (IMO: 9694567), *Wide Hotel* (IMO: 9694593) and *Wide India* (IMO: 9698252).

All were built in 2014-2015 and are currently on charter to Maersk and Ocean Network Express with an average remaining charter duration of about two years

The acquisitions were described by Danaos as "eco-design widebeam vessels with improved fuel consumption and load efficiency characteristics when compared to conventional designs".

Deliveries are expected gradually by the end of the third quarter of this year depending on the trading pattern of each vessel and arrivals at ports where physical delivery can be arranged in light of pandemic-related precautions.

The New York-listed company said that the acquisitions would increase its contracted revenue by about $71m.

The current charters are at legacy rates and this is reflected in the purchase price of about $43m per vessel.

While brokers reported last December that two ships in the same series had been sold to a liner operator at a price of $38.5m each, the market has exploded since then and online valuer VesselsValue currently values the vessels at about $76m to $69m each.

The move represents "an immediately accretive acquisition of a modern fleet at a fraction of the newbuilding cost and considerably lower than its charter-free market value", said Danaos chief executive John Coustas.

"The purchase price and contracted revenue associated with the vessels significantly reduce the residual risk of this transaction," he said, adding the staggered charter expirations also "provide re-chartering upside".

The acquisition will be funded through cash at hand, although the company is looking at debt financing alternatives to finance part of the purchase price, it said.

It is the second significant acquisition in a month for Danaos, which at the start of July announced it was exercising its option to acquire the remaining 51% ownership interest in joint venture Gemini Shipholdings.

Gemini, which has a fleet of five boxships, had been majority controlled by the Coustas family with publicly-listed Danaos holding 49%.

Danaos agreed a purchase price of $86.7m for the 51% of Gemini not already owned although net cash outflow was about $72.3m after accounting for cash on the books of the joint venture. With the addition of the six Oaktree vessels, its fleet will expand to 71 boxships.

KSOE wins orders for four LNG carriers

KOREA Shipbuilding & Offshore Engineering, a leading South Korean shipbuilder, has won orders for four large liquefied natural gas carriers for Won911bn ($793m) in total.

An order for two vessels, priced at about 197.5m each, has been placed by a Bermuda-registered owner and will be constructed by subsidiary yard Hyundai Heavy Industries.

The other pair, signed with a European buyer, will be built by its sister yard Hyundai Samho Heavy Industries Co.

All four newbuildings are scheduled to be delivered by September 2024.

The deals have pushed the builder's new orders so far this year to 163 ships, worth a total of $14.8bn. That equates to 99% of its annual order-winning target of $14.9bn for 2021.

Data from South Korea's Ministry of Trade, Industry and Energy shows domestic builders have continued to dominate the market for high value-added vessels, including LNG carriers.

They have won all 16 of the large LNG carriers of 174,000 cu m class or above ordered worldwide for the first half of 2021.

The ministry expects more orders in the second half, with the slot booking agreement signed by Qatar Petroleum for more than 100 vessels starting to be firmed up.

Earlier this week, it announced a 20-year LNG supply agreement with Qatar.

Under the pact, state-run Korea Gas Corp will buy 2m tonnes of LNG annually from Qatar Petroleum starting from 2025.

The company purchases 9m tonnes of LNG each year from Qatar through long-term contracts, of which one worth 4.9m tonnes is expected to end in 2024.

IN OTHER NEWS:

ONE withdraws boxship from service after grounding

OCEAN Network Express said its *MOL Charisma* (IMO: 9321249), which ran aground shortly after departing the Vietnamese port of Vung Tau last week, has been taken out of service for repairs.

The 8,000 teu vessel, sailing as part of the Japanese carrier's East Coast 5 Service, was bound for Singapore when the incident took place on July 5.

ONE said no one was injured in the incident and there was no environmental impact. The 2007-built vessel was refloated the following day.

Chinese port majors team up through cross-holding agreement

TWO major Chinese state-owned port groups have strengthened their ties through a cross-holding agreement amid Beijing's continued push for consolidation in the sector.

Zhejiang Provincial Seaport Investment & Operation Group (ZJ Seaport) will acquire 577m new shares issued by Shenzhen-listed China Merchants Port Group (CMPort).

The former owns Ningbo-Zhoushan Port near the mouth of the Yangtze River, which is the world's largest port by total cargo throughput.

Greek shipping tribute to Dalex Shipping founder George Dalacouras

GEORGE Dalacouras, founder of the Dalex Shipping company and a former lawmaker in the Greek and European parliaments, has died at 82.

Mr Dalacouras, one of Greece's most charismatic personalities, set up Dalex Shipping in 1968 to operate bulk carriers, a sector on which the company continues to focus today under the management of sons Vassilis and Michalis.

But he was later one of the first Greek owners to diversify into container tonnage and the family is still present in the sector with Conbulk Shipmanagement, led by eldest son Dimitris.

Shipping counts the cost of handling stowaways

STOWAWAYS can cost shipping companies more than $300,000 each to disembark, according to one security consultant.

The costs arise from arranging flights for one or more stowaways back to their point of origin or elsewhere if the host nation refused them entry, says Risk Intelligence PortRisk manager Ian Wilkinson.

He said each stowaway can cost at least $40,000 to remove, depending on the complexity of the case.

US east coast ports continue to see record throughput

STRONG consumer demand continues to drive high throughput figures at leading US east coast container ports, with record double-digit numbers announced from New York to Savannah.

South Carolina's port of Charleston, ahead of other east coast ports, announced record

June figures for its container business segment, moving 231,758 teu, an increase of 48.1% over the year-earlier period and 15.6% up on June 2019.

Charleston's imports are projected to see a 0.6% increase between June and November compared with December through May, according to the latest Global Port Tracker, produced for the National Retail Federation by analysts Hackett & Associates. That compares with a 7.3% gain between the same two periods of in 2020.

Companies remain confused over UK's freeport plans

MOST companies do not have a full understanding of how UK freeports will operate and be governed, according to a survey published several months after eight winning bids were announced for the new economic zones.

The survey by law firm Womble Bond Dickinson found that 64% of about 500 businesses questioned were unclear about how the eight freeports in England would work.

The eight new freeports announced in March are at East Midlands Airport, Felixstowe and Harwich, Humber region, Liverpool City Region, Plymouth, Solent, Thames and Teesside.

Classified notices follow

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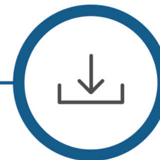

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