Lloyd's List

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INSIDE

Starved shipbuilders offered ray of light


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The editor's letter

LINTON NIGHTINGALE

Setting the agenda

While the Shipping Outlook Forum goes fully digital this year, it still promises a stellar line-up to discuss all the hot topics

The end of 2020 is nigh, in a year fraught with upheaval and uncertainty, amid a pandemic that has shaken the globe — and then some.

Shipping, as with nearly all walks of life, has not been immune to the impact of this harrowing virus.

Yet as we reach the turn of the year, thoughts — naturally — turn to 2021, and how the industry will fare in the so-called 'new normal' and in the aftermath of a global pandemic.

On December 4, Lloyd's List 2021 Shipping Outlook Forum will look to provide some answers — or at least add some much-needed clarity in this era of ambiguity.

Unfortunately, in light of the current health crisis, Lloyd's List will be unable to welcome you in person to our customary live event. Yet fear not. In the words of the late, great Freddie Mercury... 'the show must go on'.

So this year, the format will change slightly as the forum goes fully digital. This also gives the opportunity to host a global audience for a fixture that has firmly established itself as the agenda-setting event of the maritime calendar.

Joining Lloyd's List editor in chief Richard Meade — who will take up his regular slot as chair of proceedings — is a typically stellar line-up of the industry's leading lights.

The impressive panel this year includes Shell International shipping and maritime vice-president Grahaeme Henderson; Johannah Christensen, managing director/head of projects and programmes at the Global Maritime Forum; and Citi Bank's chairman of global shipping, logistics and offshore, Michael Parker.

They and the rest of the panel will address how shipping is shaping up in the new normal, while tackling other core issues on the agenda for 2021 and beyond, from the shift to decarbonisation to financing the industry in the new circular economy.

We are also seeking the active participation of our readership.

Lloyd's List will once again publish a series of online polls around the topics up for discussion during the forum.

The polls can be accessed on our website, or via the Lloyd's List Twitter handle and LinkedIn page, in the lead-up to the event. Results will be revealed on the day.

Online attendees will also be granted the chance to take part in the discussion as part of a live, interactive voting system, to which our speakers will be asked to respond with their own market expectations.

Details of how to register for the Lloyd's List 2021 Shipping Outlook Forum can be found via our website for what promises to be an unmissable event once again.

> *"The panel will address how shipping is shaping up in the new normal, while tackling other core issues on the agenda for 2021 and beyond"*

Contents

DAVID OSLER
Finance editor

Biden should be a shipping-friendly president

From a business perspective, even when it comes to shipping-specific concerns, there are no obvious reasons for the industry to fear Biden's presidential victory

America's choice of president is so important, the old European witticism runs, that everyone in the world ought to get a vote.

Yet that isn't how these things work — and the only Lloyd's List readers able to have their say during election week were those who are US citizens.

The verdict of the electorate, at least, was unambiguous.

Some 74 million people opted for the Democrats' Joe Biden, with only 70 million favouring a second term for Republican incumbent Donald Trump.

The choice between the candidates' wider political agendas is a matter of individual conscience, of course — and liberals will already be in celebration mode.

However, if we narrow the focus down to a business perspective — or even shipping-specific concerns — there are no obvious reasons for conservatives to fear a President Biden administration.

The rap sheet against Trump is voluminous, not least on account of his overt bonhomie towards elements in US society that should be encouraged to limit use of white bedsheets to the bedroom.

Yet his enactment of tax cuts and deregulation did allow many businesses — especially small businesses — to flourish.

Stimulus spending on a grand scale ripped up prevalent economic orthodoxy, but sustained growth in personal consumption to a degree that has redounded to the benefit of container trades.

You decide whether Trump succeeded in his declared aim to Make America Great Again, but he did help Make America a Net Oil Exporter Again — even if it was his predecessor President Obama who actually lifted the crude oil export ban in 2015, for the first time since the 1940s, which was no uncertain boon for tanker owners.

Even Trump's commitment to the Jones Act was proven to be as unimpeachable as he himself turned out to be.

Yet there were gargantuan lacunae too, not least Trump's persistent conceptualisation of trade as a zero-sum game.

Biden has the better understanding of free markets and free trade, both of which work best when there is confidence that democracy will unfold the way the textbooks say it should.

His more pragmatic approach to foreign policy will be welcomed by an industry in which owners — with the obvious exception of the maverick few — value predictability.

US sanctions are frequently extraterritorial in remit, adding bite to the joke with which we opened. Such heavy-handedness is perceived by the rest of the planet as unjust.

Positive news

The real prospect of resumed talks with Tehran and Caracas will be positive news for shipowners who wish to trade legitimately with those nations, not to mention the P&I clubs and other marine insurers that are currently forbidden from covering vessels calling in Iran.

A reduction in posturing in negotiations with China will also be welcomed by those in the industry who have had to live with the consequences of Trump's flirtation with protectionism, which have been sufficiently extensive to make a communist government appear the better advocate of Adam Smith.

Even a more coherent approach to coronavirus, making good Trump's most visible single failing, will boost prospects of a rapid resumption of economic normality.

While Biden may not offer a panacea for all that ails shipping — or even any to have particular interest in our fate — he should be shipping-friendly.

> *[Biden's] more pragmatic approach to foreign policy will be welcomed by an industry in which owners — with the obvious exception of the maverick few — value predictability*

CICHEN SHEN
China editor

Is the economic turmoil a boon or bane for shipping?

Tanker owners have already made a fortune in the first half of the year, while dry bulker shipping is faring reasonably well and container shipping earnings have been remarkable in 2020

> *Even the second-wave outbreak in the significant consumer nations could not spoil the optimism that [containership] rates will remain high in the fourth quarter of 2020 and even extend into next year*

We thought the coronavirus pandemic would badly hurt shipping companies, but that has not quite turned out to be the case.

Yes, tanker owners are having a hard time now, with their hoped peak-season rate hike frustrated by the recent resurgence of infections in the West.

Yet many of them have already earned far more than enough to claim a profitable 2020 or even beyond, thanks to the floating storage surge in the first half of the year.

Dry bulk shipping is faring reasonably well, backed by strong demand for commodities from China — the only important economy that has shown it is able to bring virus infections under control and displayed a V-shaped recovery in growth from the initial slump.

Container shipping has been remarkable, with carriers hailing one of the best years in history for the sector.

Cosco Shipping Holdings, which controls the world's third-largest boxship fleet, saw net profit triple in the third quarter of the year to $400m compared with the same period a year earlier. Its share price on the Shanghai Stock Exchange soared more than 40% from the beginning of the year.

Even the second-wave outbreak in the significant consumer nations could not spoil the optimism that rates will remain high in the fourth quarter of 2020 and even extend into next year.

Cosco believes the lockdown measures in other manufacturing countries have shifted the orders to China, hence increasing shipping demand, said analysts who met the management in early November.

The executives also expected stimulus packages in the West to bolster spending.

Budget deficits

The prediction may well come true. However, bear in mind that the hordes of stimulus funds used to fight against a coronavirus-led recession comes with burgeoning government budget deficits, which need to be repaid in future. The shortfall in the US and some key Eurozone countries have hit record highs.

A sensible reckoning is that the massive debt piles are likely to flare out the growth curve in those economies during the next few years, which may become worse should there be another global debt crisis, as warned by some economists.

For shipping, the vessel orderbook remains relatively low in most segments compared with the previous economic downturn. This should provide comfort.

That said, owners and operators, who have raked in huge profits this year from that demand created by borrowed money, should still save for a rainy day — especially in the face of an expensive transition to a zero-carbon future.


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Starved shipbuilders offered ray of light

Owners are returning to yards fuelled by improved freight market sentiment and low ship prices. However, shipyards must be vigilant about the repercussion of loss-making orders that could be amplified by continued weakening of the US dollar, **Cichen Shen** reports

Juozas Baltiejus/Shutterstock.com

Buyers' appetites appear to go beyond just box shipping.

Order-thirsty shipbuilders have seen a glimmer of hope recently, with a strong undercurrent of business activity. Yet that is still not enough to brighten their prospects.

One beam of light comes from the sizzling container shipping markets as owners, emboldened by stellar financial results this year, are returning to the yards.

"New orders have increased based on profitability. In particular, large-scale [containership newbuilding] projects that were suspended for a time have been restarted," said Daewoo Shipbuilding & Marine Engineering in its latest presentation to investors.

In early November, the Seoul-listed builder confirmed a contract from Zodiac to build six 15,000 teu ships worth about $650m (see page 10).

Brokers have reported more pending deals, including a batch of newbuildings of similar sizes from Evergreen and Zim, as well as a series of 23,000 teu vessels from Mediterranean Shipping Co and Hapag-Lloyd.

They also foresee orders in the smaller neo-panamax boxship segment, which was echoed by DSME's domestic rival, Samsung Heavy Industries.

"Replacement demand for [10,000 teu] containerships with eco-friendly technology is expected," the company said.

Yard sources in China said they are competing fiercely against the Korean and Japanese builders, with everyone having a burning desire to grab at least a slice of the ordering bonanza.

> *"Yard sources in China said they are competing fiercely against the Korean and Japanese builders, with everyone having a burning desire to grab at least a slice of the ordering bonanza"*

And buyers' appetites appear to go beyond just box shipping.

This was highlighted in the tanker sector by the 10 very large crude carriers placed at Hyundai Heavy Industries and its affiliate (see page 12), which "came as somewhat of a surprise, given the prolonged bearish mode from the side of freight earnings", said Allied Shipping Research.

Tanker markets are not expected to return to normal until the 2021 northern hemisphere autumn or winter, DHT Holdings co-chief executive Svein Moxnes Harfjeld said recently, citing uncertainties created by "Covid-19, peak oil and propulsion technology".

DSME wins order for six boxships linked to Zodiac

Daewoo Shipbuilding & Marine Engineering has won orders for six ultra large containerships linked to Zodiac Maritime.

The sextet, worth about $650m in total, are scheduled for delivery from the first half of 2023, the South Korean yard said in an exchange filing, without identifying the buyer.

Broker reports pointed to UK-based Zodiac as the owner for the 15,000 teu newbuildings to be powered by conventional fuels.

Lloyd's List approached DSME and Zodiac for comment.

DSME has clinched new ship orders of nearly $4bn this year, hitting 55% of its target for 2020.

The move comes amid speculation about the arrival of another new wave of orders for large boxships as several carriers are planning to expand and renew their fleet, amid low shipbuilding prices and the need to reduce vessel emissions.

Orient Overseas Container Line, now part of Cosco Shipping, recently added seven 23,000 teu ships to its orderbook, to be built at two Chinese yards.

Its European competitor, Mediterranean Shipping Co, is said to be in discussion with the yards for fresh tonnage of the same size.

With the latest deal, DSME has hit 55% of its annual order target for this year.

However, the orders, said to be backed by Chinese venture capital, have reflected that some investors still see potential in this market.

After all, many believe China's demand for crude will continue to bolster the trade of such commodity in the next decade, while the ageing tanker fleet means that much of the old tonnage will soon be scrapped and need to be replaced.

According to Lloyd's List Intelligence data, more than 25% of the crude tanker fleet is 15 years or older. The tally for VLCCs is about 22%.

Elsewhere, quite a few orders for dry bulkers have also been reported, most of which were clinched by Chinese yards.

It is perhaps worth noting, though, that the low-lying ship price is also a key driver behind the latest rise in ordering momentum. That is a risk for shipyards.

"The reported contracts... do not reflect the underswell of activity. Yards are busy trying to fill the last slots that can be signed up within this year," said shipbroker Braemar in a report.

“It is perhaps worth noting, though, that the low-lying ship price is also a key driver behind the latest rise in ordering momentum. That is a risk for shipyards”

"Prices are still low, especially where early slots are being filled."

DSME's filing shows that the Zodiac newbuildings are only $108m apiece. That is not much different to the level that its Chinese rivals, known for their price competitiveness, can offer.

The attractive pricing is probably also a big reason for the Chinese fund money to flow into tanker shipping at the moment, as it reduces the risks of holding the assets.

Xu Gang, chairman of Sumec Marine, a state-owned Chinese builder, grieved over the current value for fresh tonnage in a recent ship finance conference in Shanghai.

Describing yards as "running nakedly", he suggested the price level is far too insufficient to cover the shipbuilding costs.

Low-priced orders are a palliative move, making shipbuilders' annual sales targets look better than expected and offering a cushion in the otherwise still thin orderbook. Yet they are also a slow-acting poison that can lead to losses.

KSOE seals $891m order for 10 VLCCs

Korea Shipbuilding & Offshore Engineering has secured orders to build 10 very large crude carriers worth Won986bn ($890.5m) as large crude tanker orders continue to trickle in towards the end of the year.

Three of the vessels will be built by its Hyundai Samho Heavy Industries subsidiary and the remaining seven VLCCs will be built by its Hyundai Heavy Industries unit, Korea Shipbuilding said in a stock market announcement.

KSOE is the combined entity formed from the merger of HHI and Daewoo Shipbuilding & Marine Engineering in 2019.

The VLCCs are scheduled to be delivered by March 2023.

With the latest contracts, KSOE has won orders to build 21 VLCCs, making up 70% of the global VLCC market so far this year. The buyers were not identified. Greek interests had been active in ordering VLCCs from South Korea earlier in the year.

Some of the vessels will be built at the Hyundai Samho yard.

And this time, the risks could be significantly amplified by the weakening US dollar.

The devaluation of the greenback literally reduces yards' revenue, as most of their costs are based on local currencies.

China-based, Singapore-listed Yangzijiang Shipbuilding, for example, reported a foreign exchange loss of about Yuan367m ($56m) in the third quarter from translation of US dollar bank deposits and dollar-denominated shipbuilding construction contracts.

Great uncertainties

While a bet can be always made on an appreciation of the dollar in the next two to three years upon vessel deliveries, there are great uncertainties.

A recent forecast by Citi Bank that the availability of vaccines to combat the viral pandemic and ongoing monetary easing could cause the dollar to weaken by as much as 20% next year sent out no good signals.

That aside, even with the price incentives and owners' returning confidence underpinned by improved freight markets, newbuilding markets for next year are likely to remain lacklustre.

> *"The uncertainty about new emission rules and future marine fuels seems like the Sword of Damocles that hangs over owners' heads. It keeps reminding them of the risks that any newly delivered vessels today can become obsolete in the next five years – and that can result in a sharp decline in asset value"*

The uncertainty about new emission rules and future marine fuels seems like the Sword of Damocles that hangs over owners' heads.

It keeps reminding them of the risks that any newly delivered vessels today can become obsolete in the next five years — and that can result in a sharp decline in asset value.

As a key to a profitable newbuilding venture, owners should, when ordering, incorporate the liquefied natural gas-fuelling system into the vessels — or, "at the very least, prepare new ships for future easy conversion in future".

Yet the brokerage was surprised by "how few of the orders this year are truly flexible to enable future conversion to alternative fuel use".

Perhaps it is small wonder that most owners have been reluctant to go down that path.

Apart from the extra cost and lack of infrastructure readiness, LNG is still viewed as a temporary solution to shipping's decarbonisation problem before the cleaner fuels become available.

Until that picture becomes clear, the shipbuilding industry may remain struggling to expand its backlog and break even.

And it must keep trimming excess capacity while gearing up for the development of zero-emission ships.

Newbuild orders look set to regain pace in 2021

The latest Lloyd's List Intelligence Shipbuilding Outlook shows contracts for 2020 at historical lows, but prospects are much brighter for next year, amid hope that Covid-induced uncertainty will be lifted, **Linton Nightingale** reports

The major benefactor of the expected upswing in business in 2021 will be China.

Uncertainty stemming from the coronavirus pandemic has ship orders sinking to an all-time low in 2020, as the industry continues to assess its short-term impact.

However, as the world regains its feet, owners are expected to return to the yards with a healthy appetite for fresh tonnage next year, according to Lloyd's List Intelligence's latest Shipbuilding Outlook.

Lloyd's List Intelligence head of consulting Christopher Pålsson says the dearth in ship ordering this year has come with owners finding themselves in a balancing act, unsure of how the pandemic will play out.

"No-one really knows what it means," he says. While some ship operators in certain sectors have seen demand fall off a cliff, others have "plenty of business to do", Mr Pålsson explains.

The market volatility brought on by the pandemic has made forward planning a proverbial minefield for owners.

There is also the overarching issue shipping faces in making the transition to so-called future fuels, as the industry looks increasingly to lower emissions and create a pathway towards decarbonisation.

"The big question you have to answer is how to fuel and propel a ship going forward," Mr Pålsson says.

"Today, and over the next five years, maybe it will not seem a big issue, but if you order a ship and even get it in two to three years, which will supposedly last 20-25 years, then we're looking ahead to the beginning or mid-2040s.

"So you really need to have an idea of, at least, how flexible you need to be. And there is not really a good answer to that."

Although Mr Pålsson says certain flexibility is built in with dual-fuelled engines, which have gauged strong interest — most notably using liquefied natural gas alongside traditional fuel oils — this is still only a short-term fix "until the next NOx [nitrogen oxide] regulation or something similar kicks in".

Air of caution

This uncertainty that has engulfed the shipping industry has understandably led to an air of caution among owners considering replenishing their respective fleets.

Lloyd's List Intelligence expects the total number of ships ordered in 2020 to come in at around 917 units, down more than 60% on its year-ago total of 2,284 ships.

The slowdown in orders has also dragged down the global orderbook-to-fleet ratio, measured in deadweight terms, to around 15%, representing its lowest level since the early 1990s.

Mr Pålsson says the ratio, seen as the yardstick for assessing future supply growth, will continue to slide through to 2023-2024 to as low as 9% before flattening out. This would be its lowest level since the late 1980s.

Nevertheless, with hope that the pandemic will be brought under control and a sense of normality will return to the global economy, expectations are for shipowners to dust off their cheque books and return to the yards with renewed vigour next year — albeit with a slightly more cautious approach to the excessive ordering that has blighted some shipping sectors in the past.

In 2021, expectations are for new orders to climb close to 2019 levels to around 2,202 ships, according to Lloyd's List Intelligence.

The major benefactor of this upswing in business will be China.

Like every other major shipbuilding nation, China is set to witness a sharp fall in orders accumulated in 2020.

Lloyd's List Intelligence estimates that its end-of-year tally will come in at 363 ships.

In 2021, however, China is expected to see orders at its yards more than double to above 800 ships, before increasing gradually to more than 1,000 units come 2024.

Indeed, China is set to account for around 40%, or 4,198 vessels, of the 10,542 ships forecast to be ordered in the five-year period from 2020 through to 2024.

Europe, Japan, South Korea and 'other Asia' will all have between 1,350-1,600 units on their respective books, representing around 13%-15% each of the global orderbook.

Lloyd's List Intelligence anticipates that a large of chunk of China's units will come from the dry bulk sector, where the country is notoriously strong.

The outlook, though, is not so positive for their South Korean counterparts, who rely heavily on the tanker sector for business.

Although the number of tanker orders are expected to brake sharply in the coming years, South Korea will still increase its end-of-year tally for 2020 of 150 units to around 300 units by 2024, according to Lloyd's List Intelligence.

However, in terms of tonnage, China's share of the orderbook is even larger, at 47%, during the same period.

South Korea is forecast to have the second-largest orderbook on a deadweight tonnage level, with 28%, while Japan will have a 17% share.

Between the three largest shipbuilding nations, this represents 93% of all orders, according to Lloyd's List Intelligence.

In terms of the current orderbook, too, China's yards continue to dominate.

Of the 6,098 ships contracted globally, China's yards have 2,477 to their name. This represents 41% of the total orderbook, followed by Europe with 1,243 ships on order (20%); South Korea with 841 ships (14%); and Japan with 732 ships (12%).

Just under half the total ships on order are comprised of tankers and those in the dry bulk/general cargo sector.

As many as 1,709 firm orders for tankers were reported by Lloyd's List Intelligence at the start of October, including significant orders for crude carriers (484 ships) and product/chemical tankers (524 ships). The global orderbook also comprised 200 LNG carriers.

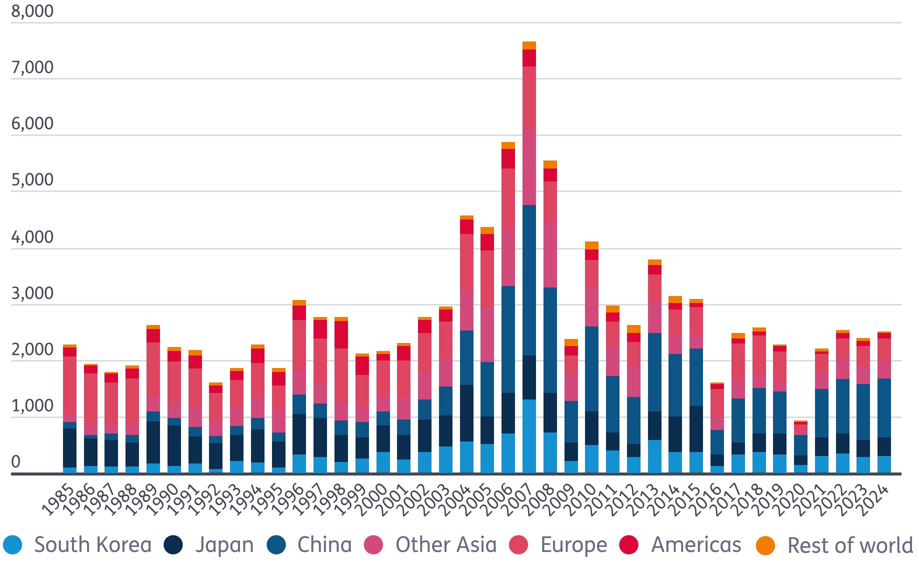
The dry bulk/general cargo sector had a slightly larger number of ships on order, at 1,751 units, which also make up a large proportion of deadweight tonnage due to come off the ramps. However, the totals are still modest for the sector, which has been heavily over-supplied in the past.

Elsewhere of note is the strong orderbook contribution from the cruise sector, with 175 ships on order, representing as much as 33% of the existing fleet.

China's share of the total orderbook is also the largest in terms of capacity. Lloyd's List Intelligence data shows that the orderbook stands at 323m deadweight tonnes, of which 49% is assigned to China, with 157m dwt on order.

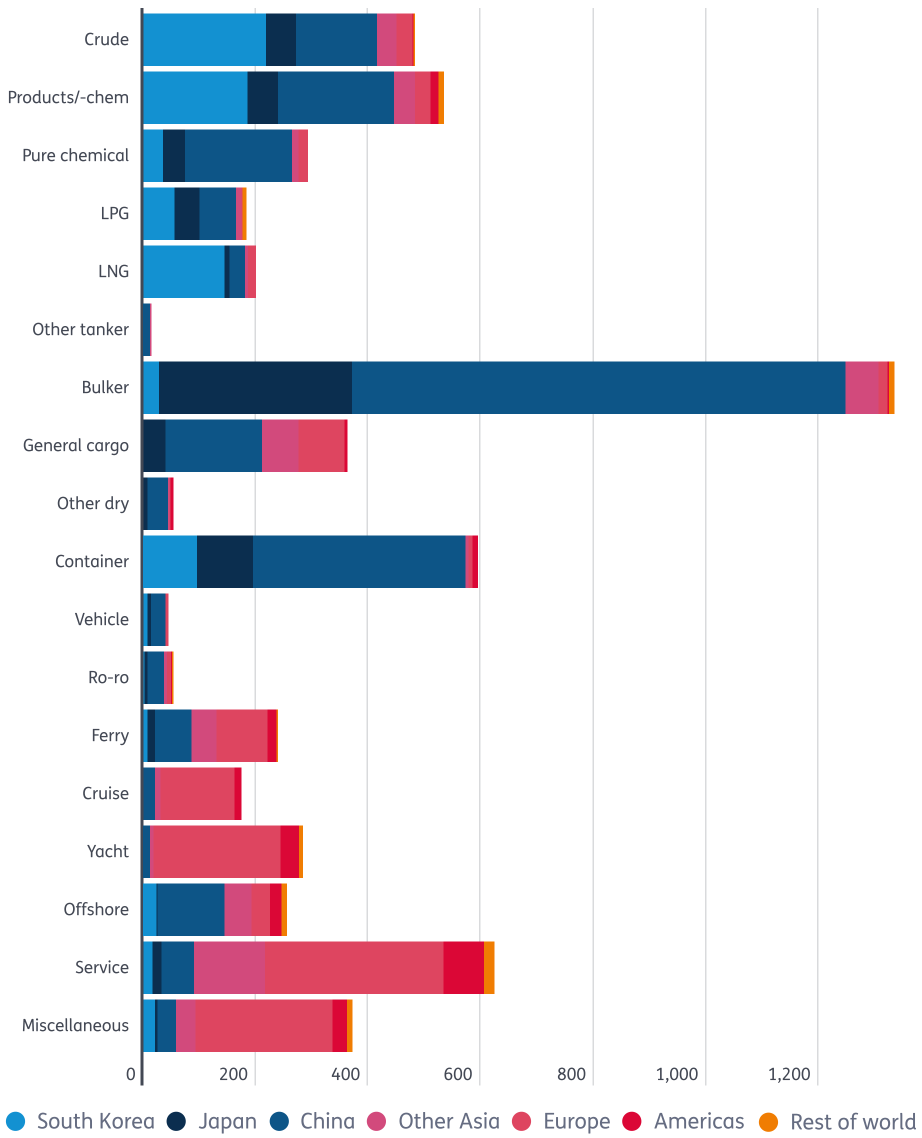
Meanwhile, Korean yards have 94m dwt on their books, representing 29% of total forward bookings; Japanese facilities 48m dwt (15%); and other Asian yards 11m dwt (3%).

Total contracting by shipbuilding region in number of ships



Source: Lloyd's List Intelligence

Current orderbook* by type and shipbuilding region in number of ships



*as of October 2020

Source: Lloyd's List Intelligence

Strong output

While orders have certainly slowed in 2020 due to market uncertainty, the impact this has had on vessel deliveries has not been as marked as once envisaged.

Although delivery numbers in many countries have been delayed, the number of slippages, or vessel deferrals, was still higher than in 2019. In 2020, Lloyd's List Intelligence expects 2,251 ships to hit the water, compared to 2,011 last year.

"At the beginning of the year, we would have expected more slippages, given the situation. But we have seen strong output, first and foremost from Chinese producers, who were back up and running even by April — and, by all accounts, were almost at capacity by mid-summer," says Mr Pålsson.

He added that even in the cruise sector — one that has been hit particularly hard during the pandemic — there has been a notable absence in renegotiations on delivery terms.

"As we saw in 2009, amid the global financial crisis, when there was loud talk that everything — or a minimum 50% of the orderbook — should be cancelled, it only turned out that around 5% was deferred. Once again, it has proved difficult to walk away from contracts.

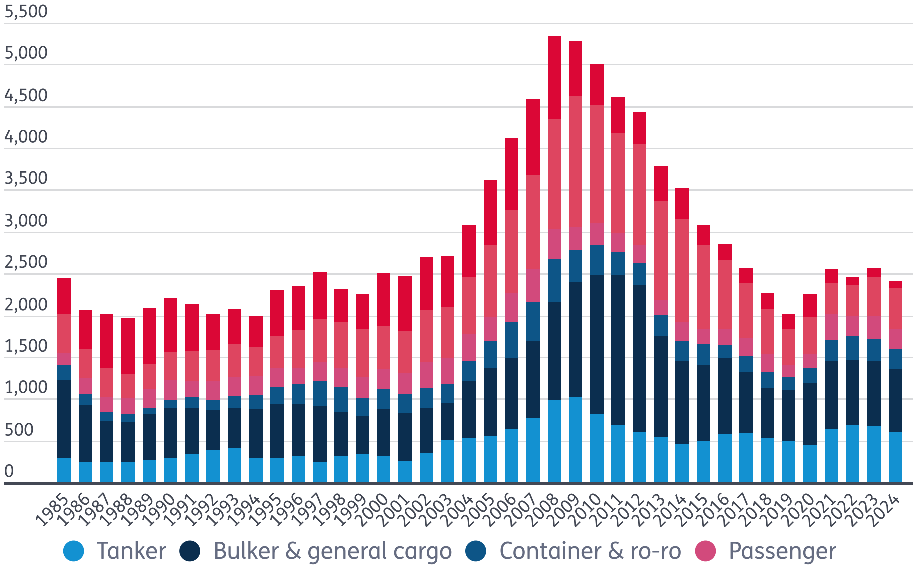
"Yes, there are slightly more slippages than usual, but we don't have any strong indications of a magnitude that would make a significant difference to this year's deliveries," says Mr Pålsson.

In the 2020-2024 period, Lloyd's List Intelligence expects vessel deliveries to total 12,269 ships, 495 fewer than the previous five years from 2015 through 2019.

Over the next five years, the major drivers of fleet advances will come from the bulker/general cargo sector (3,924 ships) and tankers (3,044 ships).

For both these sectors, that is an increase in deliveries versus the previous five years, helping offset a large fall in the offshore and service sector, which will have 40% fewer deliveries at 2,145 ships, according to Lloyd's List Intelligence.

Total world fleet deliveries in number of ships



Source: Lloyd's List Intelligence

World containership fleet

Teu Size Range	In service no	In service teu	On order 2020 no	On order 2020 teu	On order 2021 no	On order 2021 teu	On order 2022+ No	On order 2022+ TEU	Total no	Total teu	% of total fleet
0-2,999	2,903	4,121,405	190	344,478	56	85,107	14	28,991	260	458,575	11.13%
3,000-4,999	795	3,267,190	19	66,056	0	0	0	0	19	66,056	2.02%
5,000-10,999	1,108	8,312,015	8	43,600	0	0	0	0	8	43,600	0.52%
11,000-13,999	226	2,874,350	21	249,320	15	173,500	2	23,700	38	446,520	15.53%
14,000-17,999	132	1,939,027	13	195,400	15	227,784	12	178,256	40	601,440	31.02%
18,000+	125	2,524,008	17	373,030	6	137,000	11	256,064	34	766,094	30.35%
Total	**5,289**	**23,037,995**	**268**	**1,271,884**	**92**	**623,391**	**39**	**487,011**	**399**	**2,382,285**	**10.34%**

**Excluding newbuilding postponements and cancellations under negotiation* *Source: Lloyd's List Intelligence*

Containers:

Container lines and non-operating owners have shown a great deal of restraint over the past year, largely avoiding going back to the yards for more tonnage due to the uncertainty surrounding the coronavirus pandemic and its uncertain effect on demand.

Figures from Lloyd's List Intelligence show October as another month without a confirmed order. The orderbook remains at a long-term low of around just 10% of the existing fleet, with some estimates putting it as low as 8%.

To put this in context, prior to the global financial crisis in 2008-2009, the orderbook was more than 60% of the existing fleet.

Dry bulk:

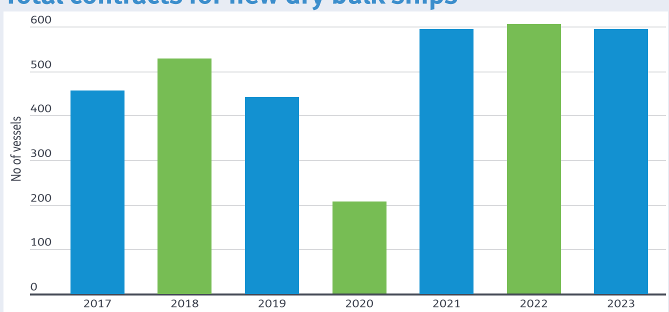
The dry bulk fleet has increased by 2.9% annually on average over the past five years, driven by deliveries of newbuilds larger than 200,000 dwt, which have grown by 7.9% per year on average, according to Lloyd's List Intelligence.

The forecast for fleet growth in 2020-2024 for the overall dry bulker fleet stands at a higher rate of 4.4% annually.

Deliveries in 2020-2024 are forecast at 243m dwt (or 48m dwt per year), which will take the fleet up to 1,067m dwt by year-end 2024.

New orders in 2020-2024 are forecast at 2,637 ships, which is an increase of 15% compared to 2015-2019. In dwt terms, the forecast is level with the previous five years, due to higher ordering of smaller bulkers in the 10,000 dwt-60,000 dwt size.

Total contracts for new dry bulk ships



2017-2019: actual numbers of new orders; 2020-2023: forecast

Source: Lloyd's List Intelligence

Tankers:

Prospects for new crude oil carrier contracts remain subdued. Holding them back is a large orderbook for fresh tonnage, low removals and a market that some analysts say has already peaked and, if not, will do so in the next 10-15 years.

New orders for crude tankers in 2020-2024 are forecast at 366 vessels. This is down by more than 50% on the previous five-year period.

For chemical/product tankers, the forecast stands at 1,044 ships to be ordered in 2020-2024, around the same level as the previous five years. However, due to replacements, the forecast is for more ships below 20,000 dwt to be ordered and fewer larger units.

The chemical tanker market is a niche one – but it is growing. Therefore, new contracts will continue apace, at around 548 ships in 2020-2024, level with the high volumes from 2015-2019.

The positive market for LPG carriers has already halted and fleet growth will be higher than the demand for carriers in the near-term future.

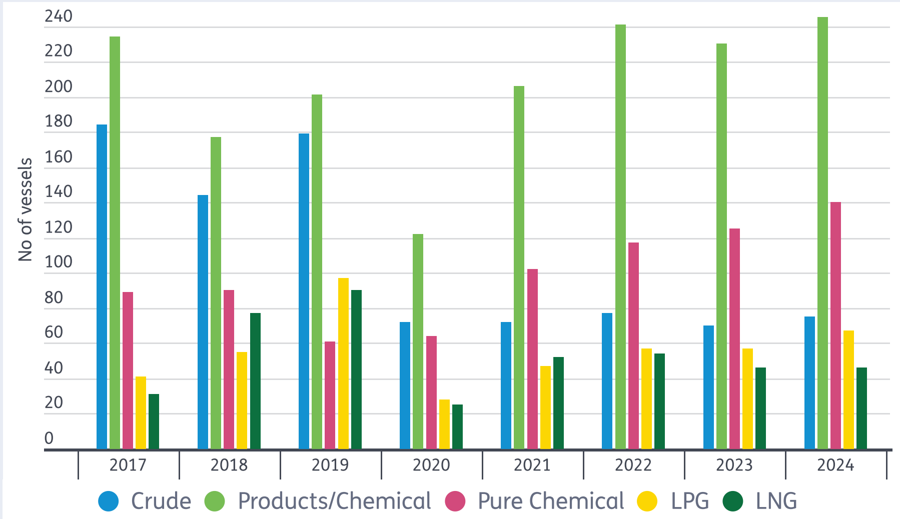
New orders for LPG carriers in 2020-2024 are forecast at 256 ships, which is nearly 20% lower than the previous five years.

Demand for LNG will continue to grow. New supply will come from the US, Australia and Qatar.

Since consumption will increase most in China, there will still be demand for more tonnage, despite existing issues of overcapacity.

New orders for LNG carriers are forecast at 223 vessels at 33.5m cu m, around 10% less than in the previous five years.

Total contracts for new tankers



2017-2019: actual numbers of new orders; 2020-2024: forecast *Source: Lloyd's List Intelligence*

Ship recycling prices to remain buoyant despite disruption

Ship recycling prospects look good for the coming year as the maritime industry continues to face disruption from the coronavirus outbreak. Yet the cost of making ship recycling greener and safer still remains the biggest impediment, **Inderpreet Walia** reports

Although the ship recycling yards are back in action, an inevitable sense of uncertainty still haunts the market.

This has been a slow year for ship recycling markets due to the pandemic lockdowns and the virus thwarting several deals.

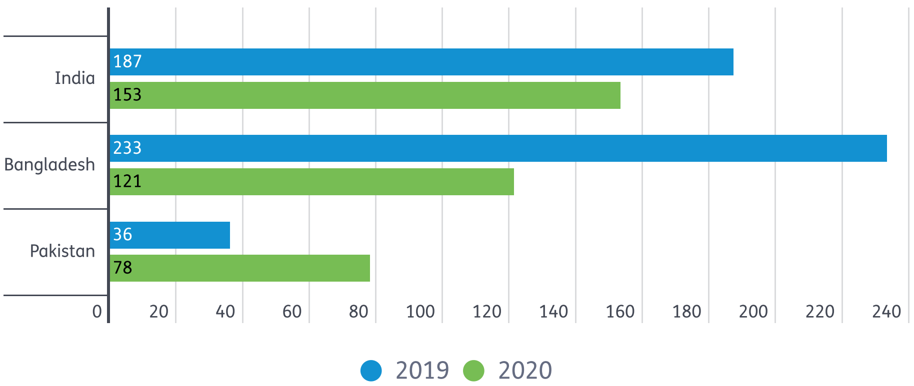
On the Indian subcontinent, recycling activity was suspended throughout the region, leaving some cash buyers stranded with vessels they could not sell on.

Although the ship recycling yards are back in action, an inevitable sense of uncertainty still haunts the market as the next wave of coronavirus and further lockdowns threaten year-end momentum.

However, a couple of sales in the final quarter of the year show that the market has returned to higher ground, prices in key centres remain firm and, with breakers fast digesting their recent purchases, prospects are positive for 2021.

> *With recycling tonnage piling up for sale, market participants expect more vessels to head to the scrapyards in 2021*

Vessels recycled by country (2019 vs 2020)*



(January-October)

Source: GMS

Prices are predicted to remain buoyant, with a reasonably good recycling offering expected in the coming year.

Meanwhile, environmental concerns are driving new regulations but the cost of making ship recycling greener and safer still remains the biggest impediment.

Recycling numbers

Recycling activity continued to pick up pace as a growing number of shipowners offered their vintage tonnage for scrap.

Indian buyers, it would appear, have come out of lockdown with heavy pockets as the nation dominated the market and accounted for the lion's share of deals through to the end of October this year.

According to one the world's largest ship cash buyers, GMS, India has taken 153 units, Bangladesh 121 and Pakistan 78 so far in 2020, compared with 233 for Bangladesh, 187 for India and 36 for Pakistan in the same period a year ago.

Very large ore carriers alone made up almost half of the total deadweight tonnes sold for recycling in the first 10 months of 2020, GMS data shows.

With recycling tonnage piling up for sale, market participants expect more vessels to head to the scrapyards in 2021.

Lloyd's List Intelligence predicts recycling activities to pick up to 1,266 units in 2021 and 1,285 units in 2022, strengthened by rules and regulations related to fuel and emissions.

The numbers include vessels sold for recycling, conversions and those lost.

However, the replacement cost is too high in many segments and thus the actual removals will not be as high as could be anticipated, Lloyd's List Intelligence said in its latest Shipbuilding Outlook.

Some 6,465 ships are forecast to be removed from the fleet until year-end 2024. This is up by 1,592 ships compared with the previous five years, or 32%, Lloyd's List Intelligence data shows.

"Amid low oil demand, freight will continue to remain weak, which might cause owners to decide to scrap their vessels," according to cash buyer and green ship recycler Priya Blue Industry.

"Additionally, the ballast water management system and vessels becoming due for their next special survey will also contribute towards an increase in the inflow to recycling yards."

Tanker scrapping

The group also expects tanker scrapping to increase as the majority of international oil pollution prevention certificates will expire within the 2021-2022 window.

Prices paid for vessels by recycling yards this year declined by as much as 44% — or about $120 per light displacement tonne — in the second quarter of the year, to around $270 per ldt due to the disruptions from the ongoing coronavirus outbreak.

However, recyclers enjoyed a brisk recovery in prices, which stood at more than $350 per ldt in the third quarter in the Indian subcontinent region and was around $380 per ldt in mid-November, according to GMS.

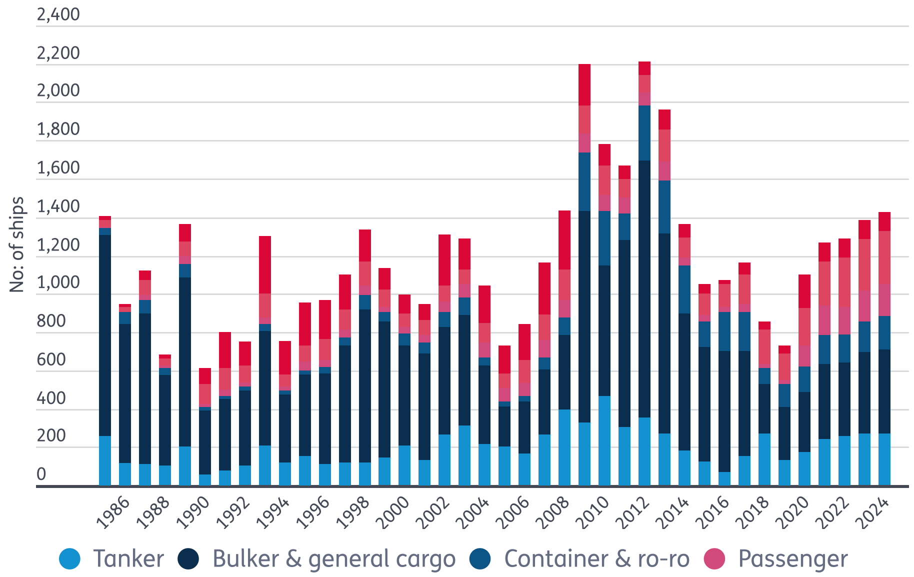
For the foreseeable future, Anil Sharma, chief executive of GMS, sees ship recycling prices remaining stable.

He says: "If supply remains relatively subdued (as we have seen recently), levels may improve once again, to closer to $400 per ldt or above.

"Current rates stand at about $340-$350 per ldt for decent bulkers and $370-$380 per ldt for decent tankers and containers across the subcontinent."

Meanwhile, Chinese shipbreakers are probably the only ones left out of the party due to Beijing's ban on importing ships for scrapping since 2019. They have been eking out what little supply there is from domestic shipowners.

Total removals* from world fleet by ship type



*Removals include recycling, sold for recycling, conversions, lost

Source: Lloyd's List Intelligence

> *If supply remains relatively subdued (as we have seen recently), levels may improve once again, to closer to $400 per ldt or above*
>
> **Anil Sharma**
> Chief executive
> GMS

With around 95% of the world's ship recycling facilities located in Bangladesh, China, India, Pakistan and Turkey, and with the International Maritime Organizations's Hong Kong Ship Recycling Convention unlikely to be ratified in the next year, shipowners and yards will again have to contend with the more stringent European Union Ship Recycling Regulation in 2021.

Under the EU regulation, shipowners with vessels carrying an EU flag at the end of their life will be required to send them for scrap only to EU-approved recycling yards — of which currently there are just six in Turkey and a few in EU countries.

Limited capacity

With limited ship recycling capacity, there is a backlog of ships waiting to be recycled, ship recyclers confirmed.

This also highlights the impracticality of applying different rules around the world for an industry at the centre of international trade.

Meanwhile, Dr Sharma feels that by 2023, the Hong Kong Convention should enter into force.

The Hong Kong Convention was always designed to provide incremental improvements and there is no doubt that a number of highly capable facilities in Asia have satisfied the auditors that they more than comply with health, safety and environmental requirements, he noted.

Dr Sharma believes shipowners are getting more responsible regarding how their assets are recycled and estimates that around 32 ships were sold to HKC-compliant yards so far this year.

New EU rules edge closer amid coronavirus uncertainty

The obligation for an Inventory of Hazardous Materials for ships calling at EU ports has been complicated by the coronavirus pandemic, **Anastassios Adamopoulos** reports

Hector Pertuz/Shutterstock.com

The Commission advised port EU inspection authorities to take a harmonised approach, particularly for onboard inspections.

As another year comes to an end, another environmental obligation for shipowners comes into effect.

Seven years after it was first introduced by the European Union, owners of existing ships will need to have an Inventory of Hazardous Materials on their vessels, documenting the location and quantities of these materials on board.

The new IHM requirements — which apply to all vessels of 500 gross tonnes and above built before December 31, 2018 that carry an EU flag or want to call at an EU or European Economic Area port from next year — are part of the 2013 EU Ship Recycling Regulation.

Around 35,000 ships will need to comply with the new rules, law firm Watson Farley Williams has said.

Their purpose is to ensure safer conditions for workers at recycling yards by supplying information on hazardous materials on the vessels they are dismantling.

The inspiration for the IHM obligation is global; the requirement is part of the IMO Hong Kong International Convention for the safe and environmentally sound recycling of ships — which is not yet in force, however, due to insufficient support from governments.

The EU's December 31, 2020 deadline for compliance with IHM requirements in its own regulation is fast approaching.

Shipowners who have not yet started preparing for its completion are most probably too late, considering the required three-step process that culminates in an onboard survey by a recognised organisation, which then issues the compliance certification.

> *If someone now starts preparing for the IHM, it would take three months. You cannot finish it in a few days*

"If someone now starts preparing for the IHM, it would take three months. You cannot finish it in a few days," DNV GL global head of ship recycling Gerhard Albert told Lloyd's List.

Governments around the world have restricted travel and closed off borders throughout 2020 to contain the spread of coronavirus.

Shipping companies have also, at times, imposed lockdowns on ships for that purpose and to prevent disruption to their commercial operations.

Aside from affecting seafarers — hundreds of thousands of whom are still working beyond their contracts at sea, in the face of unwillingness and inability by governments to facilitate crew changes and repatriations — this has also had an impact on ship surveys.

Mr Albert said DNV GL is seeing a bottleneck in IHM survey requests because of the pandemic, which has created problems for inspectors, given the restrictions that are in place.

"There is no big difference if I look at an IHM survey or a Solas [Safety of Life at Sea] survey," he said.

Verifavia, a verifier that also offers IHM services to ships, helping them prepare for certification by recognised organisations, said coronavirus has forced it to work differently to service customers.

The company, which is servicing around 800 ships preparing for IHM compliance, has its own hazmat experts who go on board vessels to inspect and conduct the inventory.

Local surveyors

However, chief executive Julien Dufour said the pandemic has forced them to reconsider their approach, prompting them to find and use local surveyors instead of flying out on their own.

Verifavia now has a network of around 50 local surveyors across the globe.

Those surveyors can spend between 10 and 14 hours on board, collecting the necessary samples. Verifavia uses two mobile applications to monitor their activity on a minute-per-minute basis.

"We are much more efficient than we were before Covid-19," Mr Dufour said.

For Verifavia, disruption from coronavirus has therefore not been a factor. However, Mr Dufour noted it can become a problem in the next stages — especially during certification by the recognised organisations that need to inspect the ships.

Vessels that call at European ports without the necessary certification or statement of compliance could face detention, exclusion from the port or other repercussions.

While it is difficult to gauge the exact extent to which there will be violators, the European Commission said in mid-October that "industry stakeholders estimate that several thousand ships are likely to be unable to comply with the IHM obligations".

Recognising the extraordinary circumstances and potential coronavirus impacts — particularly for onboard inspections — the Commission advised port EU inspection authorities to take a harmonised approach.

They should consider the exceptional situation and carefully assess individual cases of ships that do not have the proper IHM certification or have incomplete documentation.

The Commission guidelines still put the onus on shipowners to prove they have tried to attain the certification but have been unable to do so in due time.

"In most cases, the pending survey on board should be the main reason for granting an exemption," Mr Albert said.

The EU SSR has been in place since 2013, so not having at least prepared the paperwork for the IHM approval may be difficult to justify.

However, a six-month "reprieve" may prove necessary, considering the global situation today.

"It is an important environmental requirement, but it is not crucial for being able to sail as it is with many Solas requirements — and that should be taken into account for a moment such as the one we have now," Mr Albert said.

Verifavia general manager for IHM, Yuvraj Thakur, said the main point of this requirement should be for workers in ship recycling yards to use IHM reports to know where hazardous materials, like asbestos, are located and take the necessary precautions before accessing that area.

"If that happens, we will have achieved something. If that does not happen, then it is just another compliance," he said.

Nick Fox/Shutterstock.com

Crude tonne-mile demand from the Middle East Gulf in October was tracking 15% lower than the same period last year.

Middle East leads fall in global crude tonne-mile demand

Lower tonne-mile demand on benchmark routes from the region underpins flat-lining tanker rates as October and September see volumes 15% lower than year-ago periods, **Michelle Wiese Bockmann** reports

Tonne-mile demand from the Middle East Gulf is at the lowest level seen this decade as a second wave of coronavirus again dents demand for crude, even as oil producers reversed voluntary or agreed supply cuts from July.

Crude tonne-mile demand from the region in October was tracking 15% lower than the same period last year, according to data compiled by Lloyd's List.

September was 15.1% lower month on month and August lower by the same volumes, analysis of Lloyd's List Intelligence figures show.

The steepest fall of 18.3% was recorded in June as the Organization of the Petroleum Exporting Countries implemented record supply cuts, reducing output to a 29-year low.

Tonne-mile demand, which measures volumes carried by distance travelled, is seen as a proxy for demand for crude tankers.

Exports by volume from countries including Saudi Arabia, Kuwait, the United Arab Emirates and Iraq in June totalled 426.7m bbls, or 57.4m tonnes, according to Lloyd's List Intelligence data.

They rose to 476.7m bbls shipped on 376 tankers in October.

Preliminary November data suggests that month-on-month drops in global tonne-mile demand from the Middle East Gulf will be of the same magnitude.

Spot rates for very large crude carriers that predominantly export crude to destinations in Asia, Europe and the US from the Middle East have flat-lined since August.

The benchmark route to China for VLCCs equated to earnings that averaged just over $7,100 daily in November, according to the London-based Baltic Exchange. That is lower than operating expenses.

Earnings on the route spiked at a record $250,000 daily in April, as Saudi Arabia launched an oil price war and flooded the market with crude.

Demand for transport fuels then plunged by one-third during the first wave of the Covid-19 pandemic, and Opec countries and allies quickly introduced supply cuts to control oil prices that fell to 21-year lows.

However, the resulting crude price contango then deployed as much as 12% of the trading tanker fleet for floating storage, partly sheltering them from the impact of slowing shipments and fewer tonne-miles as refineries cut runs.

Rates averaged around $50,000 daily over the summer, propped up by floating storage and record crude imports from China, before slumping in August.

Vaccine respite unliklely

A vaccine for coronavirus is unlikely to offer any respite for tanker markets until late in 2021, as renewed lockdown measures across Europe halt any global recovery in demand for transport fuels.

Over November, two influential oil groups revised down their crude demand estimates for the fourth quarter and 2021 on a resurgence in infections.

The International Energy Agency expects crude demand to be 8.8m bpd lower than 2019, at 91.3m bpd — 400,000 bpd below month-ago forecasts.

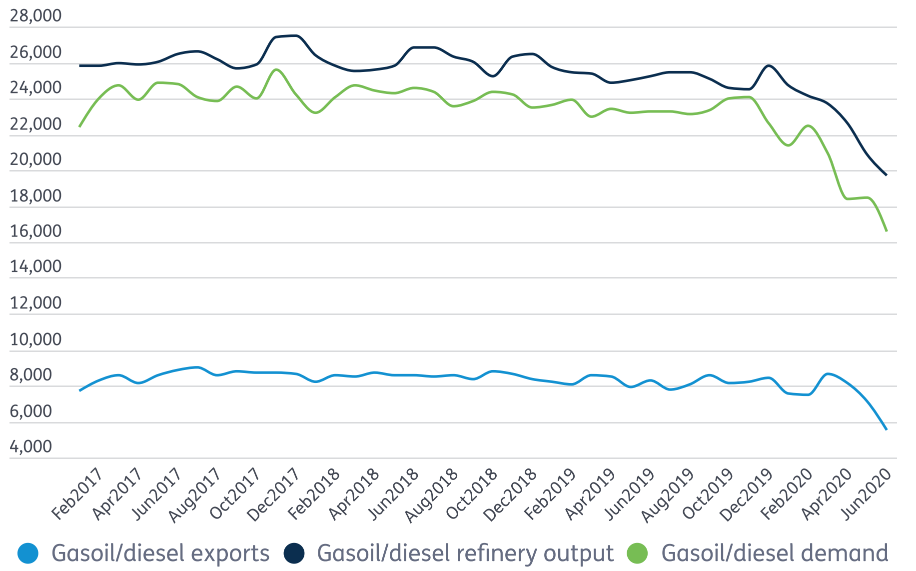
Demand in 2021 will then rise by 5.8m bpd to 97.1m bpd.

"Vaccines are unlikely to significantly boost demand until well into next year," the Paris-based agency said in its monthly oil report.

esfera/Shutterstock.com

In April, Saudi Arabia launched an oil price war and flooded the market with crude.

Global gasoil/diesel output ('ooo barrels per day)*



**not all countries report figures*

Source: JODI

> *It is far too early to know how and when vaccines will allow normal life to resume. For now, our forecasts do not anticipate a significant impact in the first half of 2021*
>
> **International Energy Agency**
> Monthy oil report

agilard/Shutterstock.com

Middle East Opec shipments contribute between 15m bpd and 16m bpd of the 50m bpd of crude shipped by the tanker sector.

"It is far too early to know how and when vaccines will allow normal life to resume. For now, our forecasts do not anticipate a significant impact in the first half of 2021."

Opec revised its global outlook 300,000 bpd lower in a monthly report published on November 11.

Demand in 2020 was forecast to contract by 9.8m bpd to 90m bpd. Opec expects a rise of 6.2m bpd in 2021.

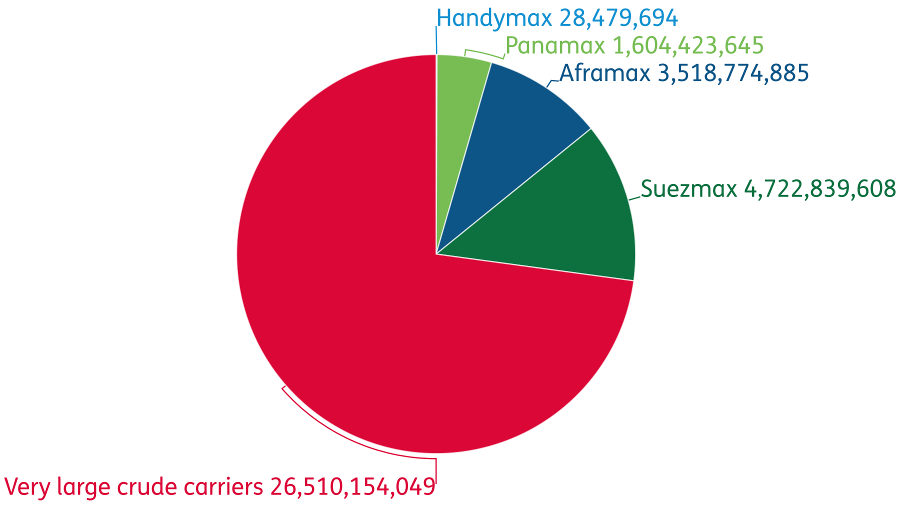
"Oil demand will be severely hampered and sluggishness in transportation and industrial fuel demand is now assumed to last until mid-2021," its monthly report said.

Even though oil supplies are rising, the latest assessments provide a pessimistic backdrop for the tanker sector, which ships about 50m bpd, or half of all crude produced.

Middle East Opec shipments contribute between 15m bpd and 16m bpd to this figure.

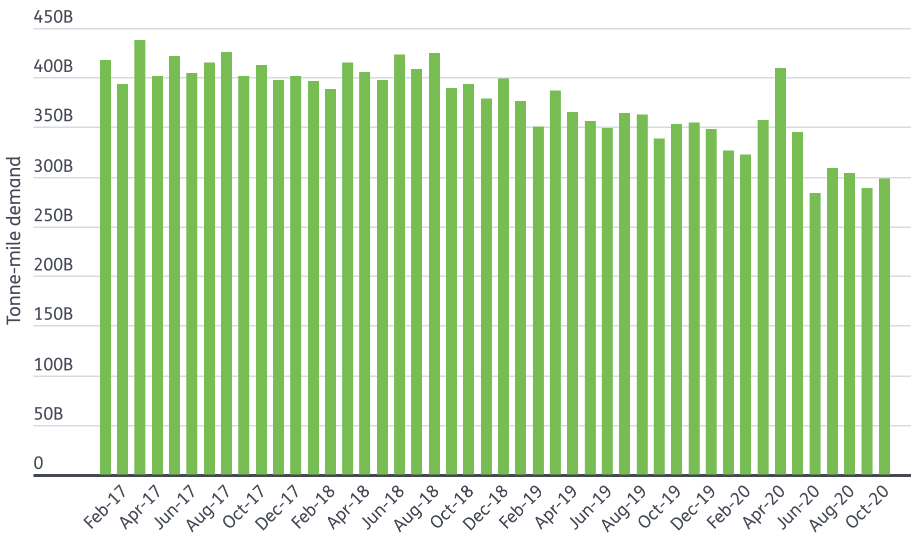
> *Oil demand will be severely hampered and sluggishness in transportation and industrial fuel demand is now assumed to last until mid-2021*
>
> **Opec**
> Monthly report

OPEC exports from Persian Gulf by vessel type (tonnes)



Source: Lloyd's List Intelligence

Persian Gulf tonne-mile demand (Opec)



Source: Lloyd's List Intelligence

Gulf states' revised 2030 visions should offer green energy solutions

Economic diversification underpins the visions unveiled by Gulf states a year ago. Some funding should still be made available to explore the potential of exporting cleaner energy around the world, **Richard Clayton** reports

iQoncept/Shutterstock.com

The sheer cost of transitioning from an oil export economy to an economy underpinned by the export of green hydrogen will be huge.

The start of a new decade is a good time to launch a vision statement. It is a moment to set targets and goals — and to present the prospect of a bright future for the coming generation.

This time a year ago, several of the Gulf states revealed their visions for 2030 and beyond.

They are a blueprint for economic diversification and, reading the writing on the wall, they lay the foundations for a world after crude oil.

Abu Dhabi's Economic Vision 2030 sees a transformation of the emirate's economy, with a reduced reliance on the oil sector and a greater focus on knowledge-based industries.

Kuwait's vision for 2035, branded 'NewKuwait', also sees the development of non-oil economic sectors, and envisions Kuwait as a future financial and trade hub of regional and international significance.

The Saudi Arabia vision for 2030 acknowledges the country's renewable energy sector is uncompetitive. To address this, the vision calls for a significant proportion of the renewable energy value chain to be localised in the Saudi economy, including research and development, and manufacturing.

There will be a review of the legal and regulatory framework to enable private companies to raise their level of investment in the renewable energy sector. And, in order to guarantee the competitiveness of renewable energy, there will be a "gradual liberalisation" of the Saudi fuels market.

These visions came before the coronavirus pandemic brought a year's delay to what were already busy diversification agendas.

Future investment was to have been shifted away from the energy sector towards agri-foods, financial technology and education because the momentum lay with diversification.

Now, one year into the new decade, it is time to revisit these visions. That is because it appears the Gulf states' future might still lie in energy.

Specialists in the energy sector believe that global demand for green hydrogen could displace about one-third of current global oil production by 2050.

The technology needed to convert solar energy into green hydrogen is complex but achievable.

More troublesome will be storing green hydrogen and transporting it long distances to export markets.

In one exploratory project, US and Saudi partners have agreed to invest $5bn to build a green hydrogen-based ammonia production facility powered by renewable energy.

The sheer cost of transitioning from an oil export economy to an economy underpinned by the export of green hydrogen will be huge.

It will require Gulf state policymakers to define a national strategy for an alternative energy ecosystem.

New production facilities linked to a new infrastructure network, in turn linked to port hubs and specialised ammonia carriers, will draw heavily on financial resources at a national level.

Alternative fuels

There has been a heavy focus throughout 2020 on alternative fuels for ships, with e-hydrogen and e-ammonia favoured over the long term.

However, there has been less attention on the trade in these cleaner fuels, the port infrastructure, safe handling and storage.

What can be said with certainty is that the shipment of crude oil from the Gulf to the Asia Pacific region will steadily reduce in line with environmental concerns. This is acknowledged in the various visions.

What is less certain is what will replace oil and gas in the global energy mix.

Perhaps the next iteration of the Abu Dhabi, Kuwait and Saudi 2030 visions will be less diversified and more focused on clean energy solutions.

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Dubai is the first maritime capital in the Arab world to have established itself so strongly among global hubs.

New legislation expected to increase Dubai's attractiveness

For the third consecutive year, Dubai ranked ahead of Rotterdam, Hamburg, New York and Tokyo — and its status is set to be further strengthened by new maritime legislation, **Richard Clayton** reports

Dubai is a rising star among global maritime hubs — a status that is set to be strengthened by new legislation.

In August this year, the United Arab Emirates city was confirmed in its top-five status in a report issued by the SGX-owned Baltic Exchange and the China Economic Information Service.

It was the third consecutive year Dubai had ranked ahead of Rotterdam, Hamburg, New York and Tokyo — and it is the only hub in the Middle East region to attain such a global position.

The latest recognition underlines the competitiveness, attractiveness and inclusiveness of Dubai's local maritime environment.

The emirate's leaders have invested over many years to enhance the legislative, regulatory frameworks and infrastructure, together with its marine services and logistics capabilities.

This has reinforced the confidence of the global community to locate to Dubai.

Sultan Ahmed bin Sulayem, chairman of Dubai Ports, Customs and Free Zone and chairman, Dubai Maritime City Authority, pointed to "the joint efforts undertaken by the public and private sectors to enhance the components of the maritime sector, to match the best in the world".

Dubai is the first maritime capital in the Arab world to have established itself so strongly among global hubs, he said.

In a similar ranking issued in 2019 by Menon Economics/DNV GL, Dubai was given a position of ninth, but with no other Middle East region hub in the top 15.

In its explanation, Menon observed that industry experts had long recognised Dubai's strong position, especially for running a shipping business, and it ranks highly for executives looking to relocate their head offices.

"This suggests Dubai is seen as an attractive location for shipping activities and might be a growing centre for the industry in the future," the Menon report concluded.

The August 2020 ranking came a few months after the UAE Cabinet issued a new resolution that set out the possibility for maritime businesses to be fully owned by foreign investors.

In an insight paper entitled 'Changing landscape for UAE maritime industry', law firm Watson Farley & Williams noted that until now, onshore UAE companies required a local majority shareholder.

Subject to certain conditions specified in the resolution, this stipulation no longer applies.

While foreign ownership of maritime businesses is currently possible within some of the UAE's free zones, such as the Dubai International Financial Centre and the Abu Dhabi Global Market, the resolution represents a significant development in relation to the foreign ownership of maritime businesses incorporated onshore in the UAE, WFW said.

Impressive course

"Dubai has charted an impressive course [in building its reputation as a logistics and maritime hub] with the establishment of critical port facilities, like those at Jebel Ali and the Dubai Dry Docks, and of other initiatives dedicated to supporting the maritime industry, such as the Dubai Maritime City Authority and the Emirates Maritime Arbitration Centre," the law firm said.

It added that the possibility for foreign ownership of onshore maritime businesses is therefore "a logical and welcome step" in the development of the UAE as an international shipping centre.

Resolution No. 16 of 2020 cites 122 economic activities that, subject to the satisfaction of certain criteria, are open to increased foreign ownership.

In maritime, the businesses on the 'positive list' cover sea and coastal freight water transport; internal water transportation of goods; commercial ships rental; ship piloting and towing; and marine towing.

In addition to the changes heralded by the resolution, WFW said a new federal maritime law was being drafted. This was intended to amend the 1981 Maritime Code, and was expected to become law later this year.

The new legislation is understood to cover investment incentives (including the foreign ownership of maritime companies).

Other areas covered include updated rules on maritime liens; a new dispute resolution system; a maritime chamber to represent the interests of the private sector; a framework to deal with abandoned vessels and protect the rights of seafarers; and a framework addressing maritime education and training.

Sultan Ahmed bin Sulayem: joint efforts undertaken by the public and private sectors to enhance the components of the maritime sector, to match the best in the world.

"The [Foreign Direct Investment] Law and the resolution have brought about significant changes to the maritime sector in the UAE — and there is a degree of anticipation around the new maritime bill"

The authors suggested it would be interesting to see whether the new maritime law potentially opens up the way for the ownership of UAE-flagged vessels registered with the UAE ship registry by companies that do not have a UAE majority shareholder.

The existing position states that ownership of a UAE-flagged ship must be on the basis of at least 51% of the capital in the owning company held by UAE nationals. All of the directors must also be UAE nationals.

"The FDI [Foreign Direct Investment] Law and the resolution have brought about significant changes to the maritime sector in the UAE — and there is a degree of anticipation around the new maritime bill," WFW commented.

EMAC elevates UAE as global arbitration hub

Emirates Maritime Arbitration Centre chairman and secretary-general Majid Obaid bin Bashir explains to Lloyd's List how the organisation's progressive, modern and cost-effective services facilitate dispute processes with results that are fair, just and impartial, offering the global maritime community a neutral seat for arbitration in the heart of the UAE

What is EMAC – and how does it support the maritime sector?
Emirates Maritime Arbitration Centre (EMAC) is the only maritime, offshore energy and logistics arbitration centre in the Middle East region.

The centre is one of the handful of maritime arbitration centres that offer a range of alternative dispute resolutions mechanisms, including general arbitration, fast track arbitration, and mediation.

Over time, as maritime has developed in the region, so has the need for legal support services. It is known that many shipping companies prefer to keep their disputes out of the public eye.

After listening to maritime interests in the region and assessing the value of a centre for maritime disputes, a decree was issued in Dubai to establish a fully serviced maritime arbitration centre, located in the Dubai International Financial Centre (DIFC).

Managed independently, with its own corporate governance, EMAC's mandate is to be at the service of its stakeholders through educational, informative events, as well as its arbitration rules and mediation rules.

Since establishment, the EMAC team have engaged with the world of shipping and offshore energy, specifically in the Middle East and North Africa (MENA) region, to the extent where, based on a poll conducted in 2019 with more than 100 participating companies, we know that 68% are said to have started adopting EMAC into their local contracts.

With the UAE a signatory to the New York Convention, and its arbitration rules based on the latest UNCITRAL arbitration rules, stakeholders who take to dispute no longer need to seek an alternative dispute resolution (ADR) remedy elsewhere.

In addition, the UAE, while a 'civil law' jurisdiction, offers 'common law' procedures, in English, through the Dubai International Financial Centre (DIFC) or Abu Dhabi Global Markets (ADGM).

What services does EMAC offer?
Today, EMAC provides a central alternative dispute resolution facility, founded on international best practices, located in the UAE, where the jurisdiction provides the option of 'civil law' or 'common law'.

The centre is well placed to offer the world of maritime a neutral seat for arbitration.

The EMAC arbitration rules are modelled on the UNCITRAL arbitration rules, with options that service general arbitration, emergency arbitration, ad-hoc arbitration, fast-track arbitration or mediation, all through light-touch case management.

Listing some of the world's most experienced arbitrators, mediators and experts on EMAC's panel, confirms EMAC's standing as a premium maritime arbitration centre that aims to deliver the highest standards possible.

Today, EMAC has more than 220 members, 70 arbitrators, 39 mediators and 29 experts.

> *"Since establishment, the EMAC team have engaged with the world of shipping and offshore energy, specifically in the MENA region, to the extent where, based on a poll conducted in 2019 with more than 100 participating companies, we know that 68% are said to have started adopting EMAC into their local contracts"*

Building a panel of maritime and law professionals with different backgrounds has been at the heart of EMAC's panel selection process.

EMAC's services and rules are progressive, modern and cost-effective, ultimately facilitating dispute processes that are flexible, with results that are fair, just and impartial.

Why do companies turn to arbitration?
Arbitration is effective for parties who wish to keep their dispute private and confidential. The process of arbitration further provides support to save on cost and time.

An award issued by a sitting arbitrator to any case is enforceable by law in any one of the New York Convention states, which is perfect for an industry that is so cross-border.

Arbitration offers neutrality for the parties, wherein the process is, in most circumstances, similar and the dispute can take place at a venue of the parties' choosing.

مركز الإمارات للتحكيم البحري
Emirates Maritime Arbitration Centre

Rasto SK/Shutterstock.com

A decree was issued in Dubai to establish a fully serviced maritime arbitration centre, located in the Dubai International Financial Centre.

Essentially, this alternative means of resolving conflict is more flexible than that of the traditional courts, whereby the parties would be limited to the law of the jurisdiction of the courts in a case.

Judges, in the form of arbitrators, are appointed by the disputing parties, where it provides comfort that the person deciding the outcome of a case understands the industry, and the physical application of a contract, rather than basing a decision or finding purely on the letter of the law.

Why should a company look to Dubai for arbitration procedures? What makes the emirate standout from other legal centres?

Neutrality. The UAE in general has spared no cost in evolving its arbitration foundations by enhancing its federal arbitration law to establish the country as an arbitration hub.

It is one of the only countries in the world that has successfully implemented civil law and common law in one jurisdiction, giving companies who trade here the comfort to contract their law of choice.

This means that disputing parties do not need to rely only on local courts but may opt to use the alternative dispute resolution options offered in the Dubai International Financial Centre (DIFC) or the Abu Dhabi Global Markets (ADGM), especially when it comes to international contracts governed by English law.

EMAC is renowned for its state-of-the-art facilities — how have these elevated its offering?

EMAC has followed a mantra of ensuring that its services are recognised as one of the world's best.

Making sure we have state-of-the-art hearing facilities, offices and vendors is very important. Giving parties the option of turning to digital and online dispute resolution is essential; however, we live in a world where cyber-security is vital.

As with any business, the impact of the Covid-19 pandemic on business and a move towards reliance on online communication and service provisions has meant a more stringent approach to the security of our servers and online activity.

As EMAC fine-tunes its online arbitration system with virtual hearing rooms, one of the key considerations remains our online security protocols.

Providing a safe, secure network means data is protected and confidentiality maintained. It all starts with implementing training for our staff and setting practical policies to ensure that our stakeholders connect with us securely from anywhere in the world. It is at the forefront of our everyday digital interaction.

Arbitration and mediation are a global service — so we need to ensure that we are able to provide a seamless digital experience for online hearings.

With EMAC's state-of-the-art online arbitration system and virtual hearing rooms, it is safe, convenient and time-efficient to conduct online hearings.

Did the pandemic change the way you operate?

As mentioned, with the pandemic, many things have changed in the way we operate and conduct our business.

Both companies and individuals have adapted very well to the digital world. International arbitration can weather a pandemic.

Through necessity, many international arbitrations have taken place virtually and, while there is some debate about virtual witness statements, we have developed into professionals who now embrace video conferencing in arbitration.

As with any change, it only gets better with time and further technological advances.

Is virtual arbitration a method that could continue post-pandemic?

Arbitration is a very traditional service. We have learnt to adapt our way of working, given the travel and lockdown challenges we still face.

The industry will likely adapt to a hybrid way of managing disputes; perhaps pre-hearing virtual meetings, with a one-day physical hearing in a location of convenience; perhaps parties will appreciate the virtual concept completely. Time will tell.

We have shown that we are able to adjust for business continuity.

The best thing today for EMAC is that we are proudly able to offer further choices to ensure that disputing parties can focus on the merits of a dispute and choose the way in which they would like to conduct their hearings.

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A global pandemic is not a naturally propitious time to borrow money, but your chances of doing so may be better than you expect.

How ship finance managed to recover from coronavirus

While 2020 may not be the greatest year on which to build a baseline investment case, if you can show you are future-proof for 2021 onwards, lenders say they have still got a deal for you, **David Osler** reports

Months after feeling the impact of a global health crisis, ship finance is in better shape and working from home, figuratively speaking. And, if it is not yet quite back to full capacity, deals are still getting done.

Market sources even report that the outlook is healthier than seemed likely when lockdowns first kicked in around March.

Coronavirus was going to be worse than the 2008-2009 financial crisis, we were routinely told, with so many companies set to go under that the odds appeared to be on banks going down with them.

Naturally, the first reaction from the banks was to retrench, while bond markets fell precipitously in many jurisdictions.

Any lender with a sizeable shipping portfolio cannot have been other than mindful that the industry is still not entirely over the post-2009 downturn.

Moreover, many Chinese leasing companies and European banks involved with currently fashionable leasing-based lending to shipping companies had also been engaged in aviation leasing.

When that industry was essentially grounded, shipping got caught up in the fallout from the negative sentiment.

Meanwhile, the travails of the cruiseship and offshore niches generated negative sentiment aplenty all by themselves.

Even if anybody was brave enough to entertain the idea of buying ships, travel restrictions made inspections effectively impossible. And anybody who did not need to refinance, did not do so.

Fast-forward to November...

It remains true that a global pandemic is not a naturally propitious time to borrow money.

However, if your situation compels that course, your chances of doing so are probably better than you might expect.

Bankers — or at least the ones still doing ship finance — insist that they consider it a relationship business as opposed to a pure asset finance business, and that they are supporting clients through what is ultimately just another variety of a weak market.

Admittedly, that seems to be the more true the larger a shipping company is; and coronavirus is only part of the picture, with other factors playing their part.

Feedback suggests that Scandinavian banks have virtually nixed offshore lending, for instance — but that is largely because offshore has been in the doldrums for six years now.

Small to medium-sized Greek owners are getting finance from Greek and Cypriot banks, while Hamburg Commercial Bank — formerly the privatised HSH Nordbank — is said to be active among German owners, or at least the ones that are not irredeemable zombies.

Alternative lenders have been more agile — or at least the ones with independent access to capital have been. To some extent, they have been able to take up some of the slack from the banks, especially on refis.

Indeed, at a time when most banks have to syndicate anything larger than a $50m loan and the more substantial funds can put together transactions with ticket prices in the $100m-$200m bracket, it is perhaps time to reassess who deserves the designation of niche player here.

Some alt lenders with enough cash took voracious advantage of Covid-19-induced bond price plunges.

London-based Hayfin, for instance, went shopping for Oslo shipping bonds, making some purchases at what now look like attractive prices.

Lenders are also mindful that Covid-19 has had a differential impact by different shipping sectors. Thus the early months of the outbreak saw a big boost for tankers, thanks to additional demand for oil storage.

As we know, this has since come off significantly. Attention has now turned to forecasts for global oil demand, as well as the intriguing question of whether the so-called 'second wave' of Covid-19 will be similarly demand-positive for tankers.

Nor has it gone unnoticed that container shipping has been seeing improved cashflow after a pick-up in business due to restocking after the first spate of lockdowns.

Hamburg Commercial Bank is said to be active among German owners.

"In short, then, the money is out there; the money is always out there. Whether or not you are going to get your hands on it depends, as ever, on what you are willing to pay. Whether the attached price tag is worth it can only be a company-by-company decision"

Like the tanker spike, that is not going to last for ever, but the feeling is that it will last as long as finance ministers keep on pump priming like Keynesianism never went out of fashion.

There is also some interest in financing ports, which also booked a sharp initial fall before coming back strongly, and are known to need a big cash burn on a monthly basis. Decisions will again be taken after a close assessment of their prospects.

One firm piece of advice is that 2020 is the worst possible year to build a baseline case. Borrowers need to show lenders what they hope to achieve from 2021 onwards. This is where decarbonisation comes in.

All shipping segments are seen as benefiting from the current low level of the orderbook, which was anyway being shaped by changing regulatory requirements — not least environmental requirements.

This stands to be a structural change, with the need for vessels to be dual-fuel, or at least capable of ammonia retrofitting. This demand is seen as not correlated to the impact of the pandemic.

In short, then, the money is out there; the money is always out there.

Whether or not you are going to get your hands on it depends, as ever, on what you are willing to pay.

Whether the attached price tag is worth it can only be a company-by-company decision.

Chinese GDP grew by 4.9% in the third quarter of 2020 from a year earlier.

China is key driver of trade in pandemic economy

China's V-shaped economic recovery and heavy infrastructure investment have helped fuel its appetite for raw commodities, **Niklas Bengtsson** and **Adam Sharpe** report

China's appetite for imported commodities has been one of the bright spots for shipping during the pandemic, when demand in other economies has waned due to lockdown and travel restrictions.

The Asian country is not only expected to claim a larger share of the global economy in 2020 but is also actively expanding its global influence in trade and other affairs.

The International Monetary Fund revised its forecasts for gross domestic product in its latest October World Economic Outlook report, predicting the impact of the pandemic will be less severe on the world economy than in the June update, as second-quarter GDP out-turns were not as negative as previously feared.

China returned to growth and the sizeable fiscal, monetary and regulatory responses from governments maintained disposable incomes, protected cashflow for companies and supported credit provision.

Chinese GDP grew by 4.9% in the third quarter from a year earlier, according to official statistics.

This is in stark contrast to developments in many other countries, though.

IMF managing director Kristalina Georgieva warned that low- and middle-income countries could send global debt levels above 100% of global GDP next year — a development that could take decades to reverse.

According to the IMF, the period ahead will require balanced domestic policies that manage the trade-off between lifting near-term activity and addressing medium-term challenges. It recommends that policymakers simultaneously aim to mitigate climate change at the same time as bolstering the recovery from the pandemic.

Inflation has also dropped markedly this year in most economies bar China and the IMF expects full-year inflation to remain low compared to previous years.

However, inflation has been on a declining path since 2018 in many countries — again with China as an exception.

Most commodity prices took a fall in the first half of this year, but as economies have started to recover, prices have followed suit.

Infrastructure spending

China has initiated a huge stimulus package that focuses on bolstering domestic infrastructure and this has seen purchases of key commodities rise.

After taking advantage of low prices for crude oil earlier in the year (see chart on page 33), the country imported a record volume from the US in September, reflected in increased tonne-mile demand for tankers from Gulf ports.

It was also revealed recently that Eastern Pacific, the Singapore-based shipmanagement company, will build and operate four 98,000 cu m very large ethane carriers for a Chinese petrochemical company that is about to start shipping regular cargoes of the refrigerated gas from the US Gulf.

The 15-year deal with Zhejiang Satellite Petrochemical underscores China's rising dominance in US ethane export trades.

Analysts are also increasingly confident about prospects for the dry bulk market as China's appetite for raw material rises.

China is in the process of its multi-facetted "rebalancing," from export- and investment-led growth to more consumption-driven growth, and is expected to have "a smooth handover" from publicly generated growth to private demand-driven growth beyond the near term, according to the IMF.

China's growth is having a positive spillover effect on commodity prices, in turn providing encouragement to dry bulk freight rates.

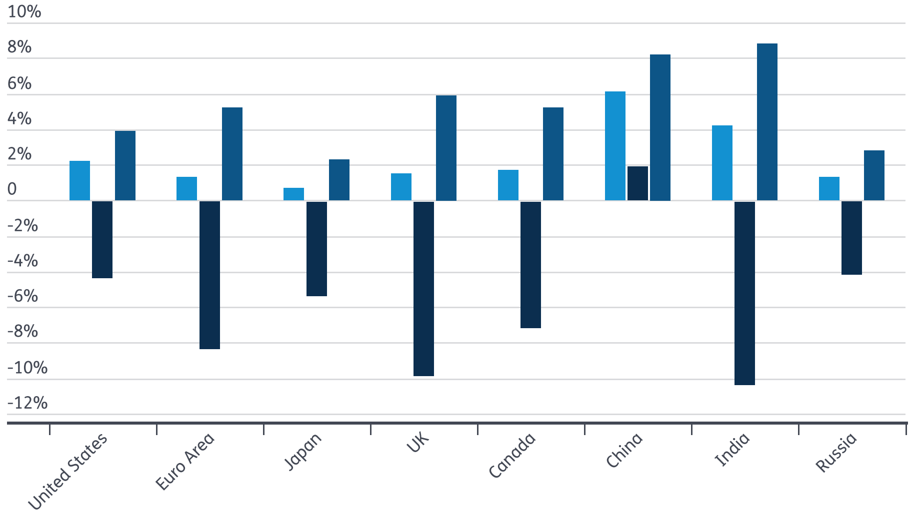
The country's iron ore production has been in decline since 2018 and shipping has benefited from that. In a normal year, more than 70% of iron ore shipments are destined for China, but large ore carrier arrivals in China from Australia and Brazil, the main exporters, are up almost 2% for the year to date compared with 2019.

China is also a leading importer of coal, which is used for power generation and steel production. The majority of coal imports are sourced from Indonesia and Australia. Here we see a shift, though, since coal ship arrivals in China from Australia are up compared to last year, but they are down from Indonesia.

The concern here, however, is the rising political tension between China and its Antipodean neighbour, with the souring relations resulting in a ban on coal imports from Australia — and the potential for other products to follow suit.

Selected World Economic Growth Outlook projections (real GDP, annual % change)

China is the only major global economy expected to record GDP growth in 2020



Source: IMF World Economic Outlook, October 2020

Looking at global steel production, we see that total volumes are still below last year, but China has the highest monthly production on record, with 96m tonnes in August — and the year-to-date volume is 4% above 2019.

This has led to a plateauing of the country's iron ore imports recently but that could be short-lived as China has mandated greater use of scrap steel and stricter pollution controls in its next five-year economic plan.

China-US relations

China has been a heavy buyer of soyabeans this year to boost domestic reserves. In the first seven weeks of the US marketing year, soyabean exports to China amounted to 8.2m tonnes, according to BIMCO. That represents 72% of all US soyabean exports over the period.

As for exports, container freight rates on the Shanghai Containerised Freight Index have been at near-record highs due to the strong bounceback in consumer demand from the US and Europe following pandemic-led lockdowns there.

This is likely as a result of those economies prioritising the protection of personal income via furlough schemes and other measures, as opposed to China's infrastructure-led spending.

However, with new lockdowns in Europe and uncertainty in the US over its Covid-19 response in the wake of the presidential election, some analysts have warned that there is no guarantee the current level of demand will be maintained beyond the short term, should consumer behaviour change.

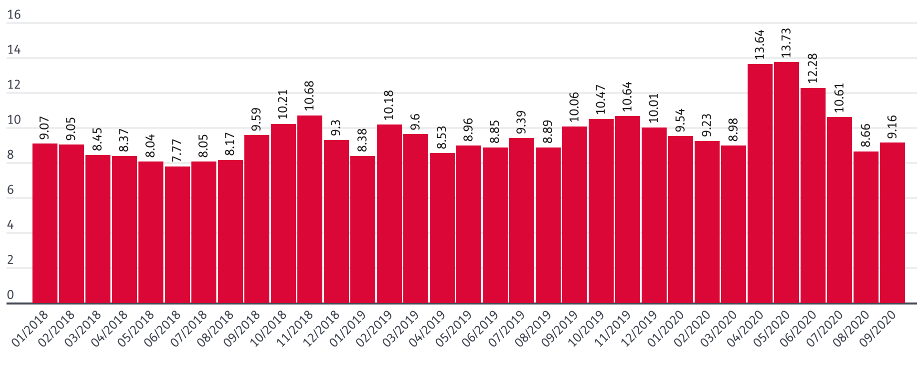
It is unlikely that president-elect Joe Biden will lift the recent high tariffs imposed on certain Chinese goods, or oversee a dramatic cooling of the trade tensions between the two countries.

Meanwhile, China continues to expand its political influence on world affairs and is stepping up its importance in the developing world.

It has joined the World Health Organisation's coronavirus programme, Covax, which aims to help poor and middle-income countries gain access to a coronavirus vaccine when available. This could be seen as a response to the US withdrawing its funding from the WHO.

The long-term Belt and Road Initiative also continues to increase China's connectivity not only with its neighbouring countries, but also all the way to Europe via both land and sea.

Chinese crude imports (m barrels per day)



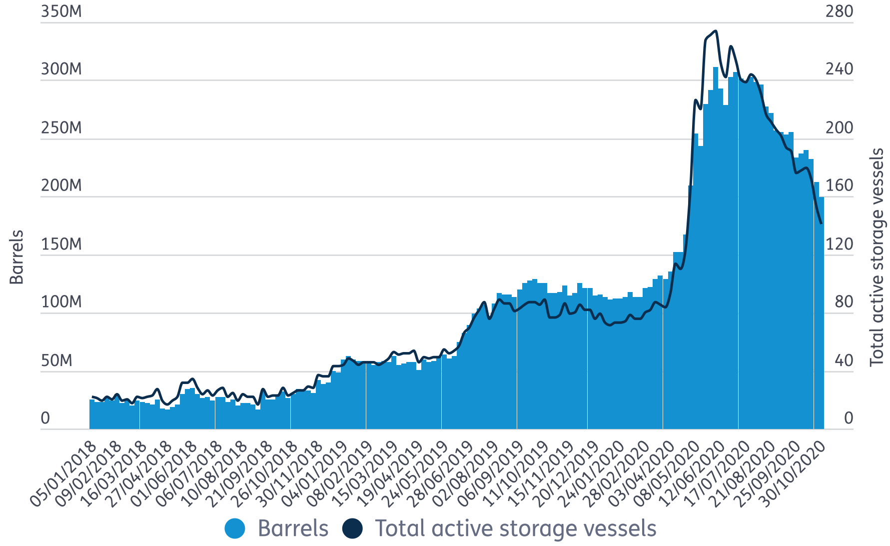
Source: Lloyd's List Intelligence

The month in charts with Linton Nightingale

Lockdowns unlikely to boost floating storage; security incident in UK waters

As much of Europe locks down to combat coronavirus infections, Lloyd's List analysis shows that storing crude and products on tankers as floating storage is not as economically favourable as earlier in the year; while in late October, stowaways caused a security alert off the British coast

Short-term floating storage for crude and clean products



Note: Methodology incorporates ships from panamax-sized tankers and larger, at anchor for 20 days or more.

Source: Lloyd's List Intelligence

Despite new lockdowns and travel restrictions in Europe, it is unlikely that there will be a resurgence in the use of tankers for floating storage of crude and products, as it does not make economic sense to do so.

Oil traders typically charter larger tankers for floating storage when the market is said to be in contango and the future price of crude or refined products is much higher than the current price, according to analysis from Lloyd's List.

When the initial wave of lockdowns came into effect earlier in the year, global crude demand slumped by one-third, or 33m barrels per day.

The resulting price fall made it profitable to buy crude or refined products and then pay for storage at land or sea, for later sale at a profit.

In late October, the difference in price, or spread, between Brent futures trading in January and the July contract was minus $2.53 per barrel.

That compares with the discount that exceeded minus $10.30 per barrel for May versus November contracts earlier this year — a spread that was the greatest seen in 11 years.

Now the economic impact of the pandemic is priced into further-out futures, such discounts appear unlikely, notwithstanding any calamitous event.

Traders would lose some $550,000 over the period if they bought crude at the end of October, chartered a very large crude carrier for six months for storage and then sold at the July futures value.

That assumes a time charter rate of $30,000 daily. Profits do not start to emerge until that rate is around $23,000 to $24,000 daily.

At the end of October, the total volume of crude and clean products in floating storage was 199.74m barrels, according to Lloyd's List Intelligence APEX data, which was the lowest for six months.

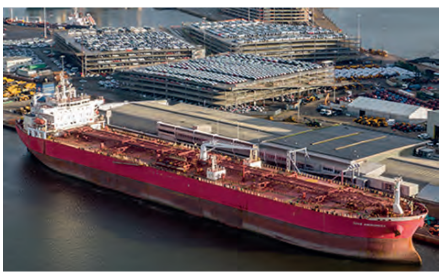
Security incident

In the final week of October, there was drama off the British coast, with a group of stowaways at the centre of a security incident on board the Liberia-flagged product tanker *Nave Andromeda*, which ended when UK special forces intervened.

Lloyd's List Intelligence data showed the vessel left Lagos, Nigeria — where the stowaways boarded — on October 5, before arriving in UK waters off the Isle of Wight on October 25.

It had spent two days off the Spanish and Portuguese coast before spending 24 hours off the French coast near the Dognes refinery from October 20.

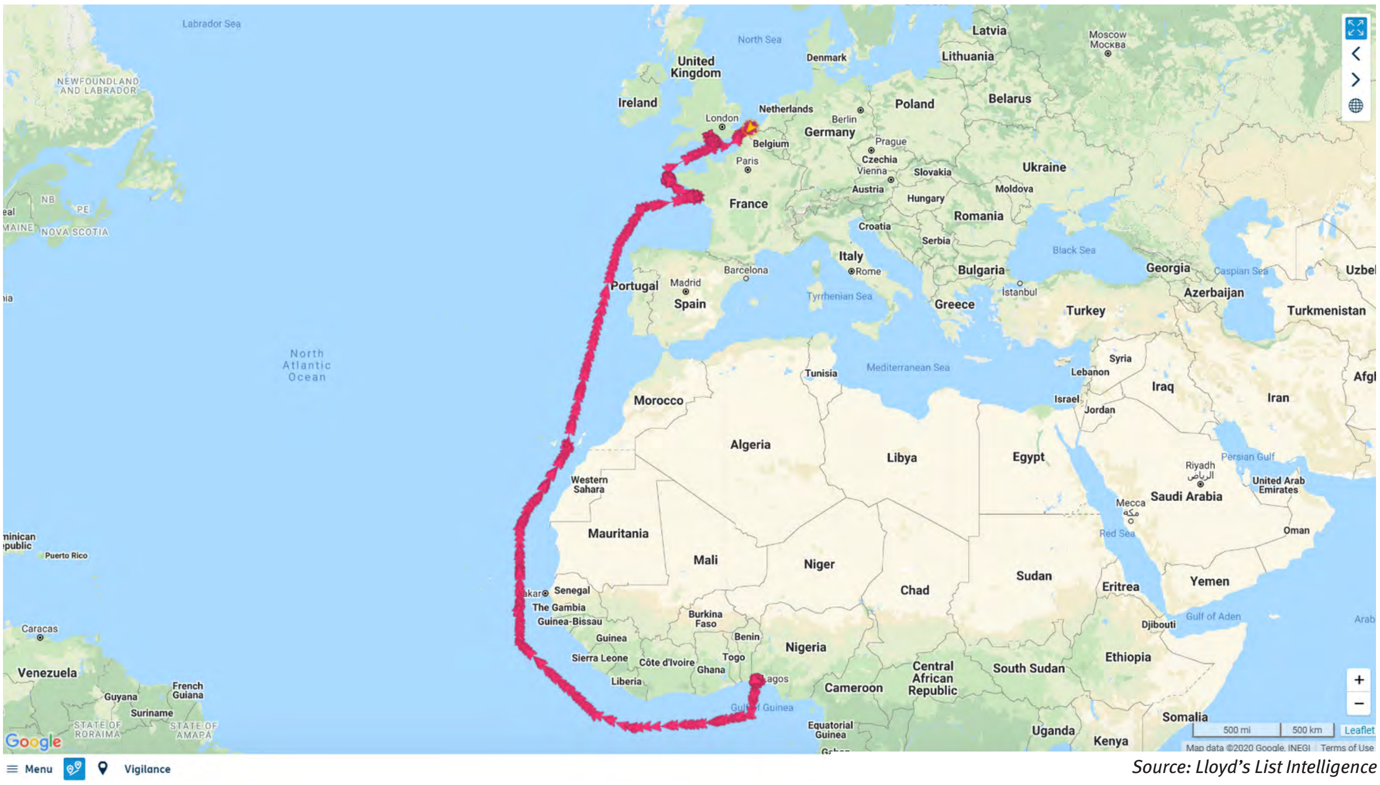
Lloyd's List understands that French authorities refused the master of *Nave Andromeda* permission to berth and disembark the stowaways, as did the Spanish authorities at Las Palmas.



Finnbarr Webster/Getty Images

Nave Andromeda in Southampton.

From Lagos to the Isle of Wight via Spain and France: route of the product tanker Nave Andromeda



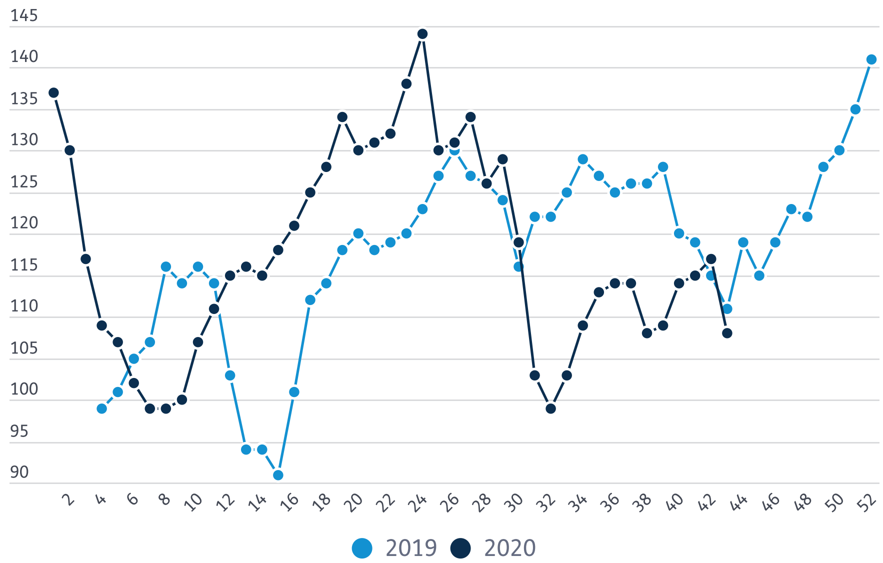
Source: Lloyd's List Intelligence

Nave Andromeda had been at the port of Southampton before the ship was boarded by special forces.

The tanker left the UK in the early hours of October 29, the port of Southampton confirmed. Lloyd's List Intelligence tracking data showed the vessel heading for the port of Antwerp after the stowaways were detained under Border Force powers, despite being given bail on criminal matters.

At the time of writing, seven Nigerian men seized on board the tanker were still being held in a UK immigration removal centre, while investigations into the incident continued.

Bulk carrier departures from Australia with China as destination, by week



Source: Lloyd's List Intelligence

China-Australia tensions

Finally, the number of bulk carriers leaving Australia for China has dropped sharply and is heading for an even bigger slump amid the growing and souring political tensions between the two countries, according to Lloyd's List Intelligence.

The number of calls per week on a rolling average is heading for 90, compared with more than 140 earlier in the year, data shows.

Timber from the Australian state of Victoria has been the latest commodity to be hit by a Chinese ban, potentially spelling hardship for bulker owners. In a blow to the market, coal had earlier been targeted.

Despite the coronavirus backdrop, China has seen bulker port calls surge in the year to date compared to the same period in 2019, amid heavy buying of raw commodities as the country invests significantly in infrastructure.

The month in charts is taken from Lloyd's List's regular column The week in charts, published online each and every Friday

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With the pandemic disrupting supply chains and demand patterns, there were reports that more than 11% of the fleet was idle worldwide.

Marine market must construct a vision of itself beyond Covid

As the sector navigates the fallout of the pandemic, it is vital that risk carriers, brokers and coverholders work together to plot the best course forward, **Paul Ashworth,** of Sompo International, reports

Covid-19 has turned the world on its head. No sector has escaped its impact — and marine is no exception. Given that 90% of global trade is carried out by shipping, the impact has been significant.

At the outset of the pandemic, headlines focused on cruiseships carrying infected passengers and crew that were unable to find willing ports where they could disembark.

Since then, the bottom has fallen out of the cruise industry, with international travel curtailed and passengers concerned about hygiene risks.

Meanwhile, it is estimated that some 300,000 of the 1.6 million seafarers worldwide — who play a critical, but often unrecognised, role in the smooth functioning of economies by ensuring the delivery of supplies — are still stranded on board their ships, with very few ports facilitating crew changes.

Uncharted waters

With the pandemic disrupting supply chains and demand patterns, the global containership fleet is in a state of turmoil, with hundreds of scheduled services cancelled.

This volume of lay-up has not been seen since the aftermath of the global financial crisis in 2008 and, at this point, it is difficult to tell how much worse it could get.

In mid-June, there were reports that in excess of 11% of the fleet was idle worldwide. This has resulted in an increased number of vessels in areas such as Florida and the Bahamas, where natural catastrophes are more prevalent, meaning more due diligence is needed to avoid hurricanes.

Most containership and passenger vessel owners have been looking at hot or warm options that allow vessels to be quickly reactivated and returned to service within 24 hours to a week.

However, the longer the pandemic continues, more shipowners will consider or be forced to look at cold or long-term lay-up, which applies to vessels spending up to five years out of service.

The duration of lay-up is a crucial decision and one that is particularly difficult to make in the middle of a pandemic.

More pertinently, whichever option is chosen, there are a number of issues that need to be addressed.

For example, risk assessment for planned manning levels, maintenance of general machinery, safety equipment, systems and alarms are among a long checklist of steps needed to protect any vessel during lay-up, regardless of duration.

Steps to protect against hull fouling and corrosion are also necessary.

Green agenda

Yet beyond the immediate issues they face, shipowners also need to focus on the longer-term impact of Covid-19, in particular with respect to climate change.

Shipping contributes up to 3% of greenhouse gases at present, according to the International Council on Clean Transportation.

Before the pandemic, the issue had moved firmly to the centre of public consciousness and debate. The marine industry has been focusing on it for some time.

The International Maritime Organization's Sulphur Cap 2020 regulations came into force in January, limiting the amount of sulphur permitted in fuel oil used on board ships.

Previously, in 2018, the IMO received widespread support when it announced a landmark strategy to reduce shipping emissions by at least 70% by 2050.

However, a recent IMO study revealed that greenhouse gas emissions from the maritime sector are rising rather than falling and are projected to increase by as much as 130% by 2050 compared with 2008 levels, unless mitigation measures are urgently put in place.

As governments and policymakers try to navigate a way forward from Covid-19 and the global recession, much has been made of the need for a green recovery.

Could this be the catalyst that jumpstarts a shift towards more green operations in the marine industry?

Alternative fuels

There are a number of options to look at in the move away from carbon-intensive fuels.

Liquefied natural gas is a cleaner alternative but remains a fossil fuel.

Ammonia is another that has been flagged as a potential green shipping fuel of the future as marine operators look to find clean fuel alternatives.

Norwegian shipping company Eidesvik and state-backed oil and gas group Equinor have refitted a vessel to run on ammonia fuel cells.

Ashworth: insurance industry can play its part in a greener shipping future too.

Norwegian shipping company Eidesvik and state-backed oil and gas group Equinor have refitted a vessel to run on ammonia fuel cells.

It is due to launch in 2024 and, when it does, it will be the first ship to do so. It is expected to be able to sail solely on clean fuel for 3,000 hours annually.

There has already been some success using ammonia as a transport fuel — Nasa has deployed it in some rockets, while closer to home, car manufacturers have been looking into manufacturing ammonia- and hydrogen-fuelled cars as an alternative to conventional electric vehicles.

However, were it to prove a workable shipping fuel, the capital investment needed to retrofit ships would be significant — between $1trn and $1.4trn from 2030 to 2050, according to a calculation by the Global Maritime Forum.

Financial measures

While alternative fuels and other measures such as improved scrubbers are explored, there are other avenues to be pursued in parallel.

Organisations including the European Commission and, more recently, multinational commodity trading company Trafigura have suggested the adoption of a market-based measure that would charge a levy on carbon-intensive shipping fuels and subsidise low- and zero-carbon fuels.

This would help to bridge the gap between carbon-intensive and low- or zero-carbon fuels and would raise billions of dollars for research into alternative fuels.

The insurance industry can play its part too — there may be a way to encourage shipowners to decarbonise by offering better terms and conditions or even reduced premiums to those that do so.

As the marine sector navigates the short- and long-term fallout from Covid-19, it is vital insurers, brokers and buyers work together to plot the best course forward..

Paul Ashworth is head of London market marine insurance at Sompo International

This article first appeared in Insurance Day

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Emergency at sea: safety first

Chris Oliver and **Linda Howlett**, at the International Chamber of Shipping,
take a look at the new guidance for an emergency at sea

Unlike an emergency situation on land, when a ship faces a crisis at sea, the master cannot simply dial the emergency services for instant assistance.

They must take responsibility for dealing with the situation, acting decisively to protect lives and prevent or minimise damage to the ship, environment and cargo.

At the same time, the master's actions should not prejudice the company's insurances or legal position.

However, safety is always paramount and commercial considerations are secondary when a ship is in imminent danger.

The International Chamber of Shipping (ICS) and the Oil Companies International Marine Forum (OCIMF) have worked in partnership to provide the industry with a practical guidebook that covers the actions a master — or indeed anyone in a position of responsibility at sea — should take when confronted with an emergency situation, from initial assessment and management of the situation, through to salvage arrangements if necessary.

Through the years, we have seen a reduction in shipping emergencies and major incidents due to the development of regulations governing the safe operation and management of ships.

Crews are regularly trained in emergency response preparedness and the industry has adopted a compliance culture.

However, when accidents do occur, they often have a high impact — and, of course, they threaten the safety of personnel, ships, the environment and cargo.

While it is good news that many seafarers may never have experienced an emergency on board a ship, it also means that seafarers can lack the anticipatory knowledge or understanding needed to deal with an emergency effectively.

'Peril at Sea and Salvage: A Guide for Masters' has been designed to provide an onboard reference source, covering everything the master needs to know when confronted with an emergency.

Denys Yelmanov/Shhutterstock.com

The ship's master must take responsibility for dealing with an emergency situation.

It clearly lays out the procedures that should be followed in different situations and identifies the areas of responsibility and the decisions that need to be taken at the different stages of any emergency.

In following the procedures outlined in the guide, the master can be confident that they are not only being supported in making the correct decisions for the immediate safety of the crew, the ship, the environment and the cargo, but are also acting in accordance with regulatory requirements and industry best practice.

Responsibility of the company

The IMO International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code) entered into force in 1998.

The code requires companies to identify potential shipboard emergency situations and establish procedures to ensure they can respond at any time, including a programme of drills and exercises.

Since 1998, these requirements have led to fundamental improvements in the response capability of a ship and the company ashore, providing the ship with prompt access to technical support regarding damage stability, the contracting of salvage and other professional assistance, as well as access to external expertise and advice.

The ship operator now has a much more pivotal role to play in any emergency. No longer is it something occurring at arm's length, away from the shore office.

Procedures will have been put in place in preparation for emergencies and emergency response drills are a regular part of life, both at sea and on shore.

An effective plan means the ship and its company are prepared. A critical part of this will be good co-ordination between the two and any third-party resources called upon.

Shore-based support

These regulatory changes have helped improve safety on ships and done a great deal to prevent harm to the environment.

They have, however, also changed the nature of the master's responsibilities by placing a greater emphasis on the company itself to plan for emergencies at sea.

The master can now expect the company to provide procedures for emergency situations and can also expect more shore-based support throughout the emergency.

Of course, this involvement from shore is only possible due to the ever-increasing technological advances that have been taking place in the industry.

In the event of an emergency, the master can now call on external assistance to help them appreciate how serious the situation could become, identify what assistance is needed and how soon it is needed.

Often, when a situation is viewed from a distance, it can become obvious to the shore support team that the ship may need more assistance than originally anticipated.

Masters are always advised to plan for the worst-case scenario — it is better to overreact than to realise too late that actions taken are insufficient and the situation is escalating.

The master can call on any assistance needed to protect the lives of the crew, the ship, the environment and the cargo.

The company may have agreements with or access to towage services, salvage brokers, oil spill response services and others that can support the vessel. The company will also be able to contact their insurers for further assistance as required.

The company's in-house technical support should also be able to help regarding liaison with class if emergency response services are available, sending back-up personnel, reporting to and co-ordinating with external parties and providing advice to the master.

Salvage

One area of concern for many masters and shipping company management teams is the topic of salvage.

The IMO International Convention on Salvage recognises the public and political importance of environmental protection and, when introduced, sought to address the disincentive of the traditional "no cure, no pay" salvage arrangements, which had the undesirable effect of discouraging involvement in salvage operations that had a marginal chance of success.

These principles are reflected in Lloyd's Standard Form of Salvage Agreement (Lloyd's Open Form – LOF) and the industry's Special Compensation P&I Club (Scopic) clause, which came into effect in 1999.

Making the correct decisions on salvage can provide added layers of complexity for the master.

Improvements in communications and the response capability of a ship and the company ashore mean that the master will be making fewer decisions in an emergency.

Oliver: when accidents do occur, they often have a high impact.

However, while in many emergencies, the company may be able to arrange appropriate assistance and deal with any legal aspects, such as the contracting of salvage and other professional assistance, there may still be occasions when the master needs to take action without the benefit of the advice of the company and its external professionals.

A section in the guide sets out the key areas of the legal framework underpinning the provision of emergency response assistance, so that the master understands their responsibilities and rights in an emergency situation.

If the ship is in immediate danger, the master has full responsibility for the vessel. The master has the authority to summon immediate salvage assistance and to accept LOF salvage terms.

The terms of LOF have been agreed and are understood by all of the industry interests most directly concerned with salvage — including representatives of shipowners, salvors and P&I and commercial hull and property insurers — and are kept under review.

Its purpose is to avoid the need for any negotiation of contractual terms in an emergency so that the provision of salvage services is not delayed.

If other salvage terms are offered and the ship is in imminent danger, the master has the authority to accept them.

At the same time, if a master believes the terms offered are unreasonable or extortionate, they can protest immediately — or, if that could delay the help needed, then the master should formally express their concerns on completion of the service.

Howlett: regulatory changes have helped improve safety on ships.

Of course, in cases of imminent danger, the master's immediate priority should be to take appropriate action to protect the safety of personnel, the ship, the environment and the cargo.

Any concerns regarding salvage and protecting the owner's interests are secondary to this. It is hoped that seeing this advice in black and white will support the master in the difficult decisions they must make.

The authority of the master is not altered by engaging salvors. The master remains in command of the ship, despite the presence of a salvage master, until such time that the master cedes command of the ship to the salvage master.

While the ship master should take account of any advice given by the salvage master or other person in charge of providing or advising on salvage services, it should be remembered that the salvors may not be experts in the safety and handling of cargo or be familiar with the ship.

If in doubt about the advisability of any action suggested by the salvors, the ship master should not hesitate to challenge the advice given, bearing in mind their overriding responsibility for the safety of those on board and the ship, pollution prevention and the cargo.

Chris Oliver is nautical director and Linda Howlett, director of legal affairs, at the International Chamber of Shipping

This article was first published in MRI, an Informa publication: www.maritime-risk-intl.com

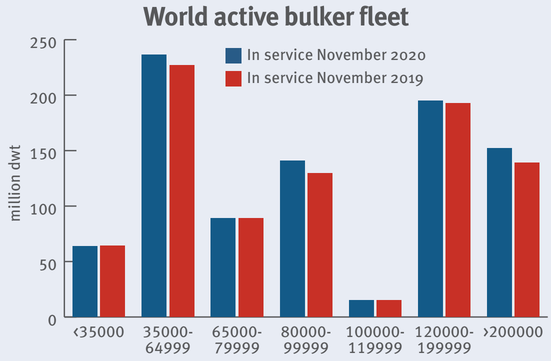
MARKETS

DRY BULK

The global active fleet of bulkers totalled 12,180 vessels comprising 892.2m dwt in early November, according to Lloyd's List Intelligence. In terms of carrying capacity, this represented a rise of 4.2% against last year.

Ships with a capacity greater than 20,000 dwt continue to be the main fleet driver of growth, climbing 9.6% on the year-ago level. This is in addition to an 8.9% jump in smaller dry bulk units in the post-panamax sector, or between 80,000 dwt and 99,999 dwt, on 2019 levels.

The dry bulk orderbook stood at 1,622 units at the start of November, with a combined capacity of 158.4m dwt. In 2020, 705 more ships are due for delivery, with an additional 674 due next year, and a further 243 ships from 2022 onwards.



Coal trade on track for return to growth next year

Coal trade seems to be the hardest hit of all dry bulk commodities this year, falling by 8% to 14%, but growth is expected next year, despite trade tensions, writes **Nidaa Bakhsh**

Coal trade should see growth return in 2021, following a contraction this year as the coronavirus pandemic slowed manufacturing, while supply lines were shut in.

Economic activity is expected to at least start to get back to normal, even if the virus continues to impact daily life, according to consultant Drewry.

There will be "robust" growth in coal trade in 2021, with increases in imports in several countries, mainly in Asia.

Even the European Union is forecast to see imports rise to 87m tonnes in 2021, from 71m tonnes this year, said maritime research analyst Rahul Sharan.

Thermal coal imports, for power generation, are projected to rebound by 5% to 991m tonnes, according to Drewry estimates. That compares with a 10% drop this year to 943m tonnes.

Meanwhile, coking coal imports, for steel-making, will recover by 6% to 275m tonnes, compared to the 14% drop to 259m tonnes envisaged for 2020.

Maritime Strategies International also sees growth of about 9% next year to nearly 1,3bnbn tonnes, underpinned by a recovery in Indian and European demand, which is at risk from further coronavirus restrictions and government policy shifts. Without this recovery, trade growth would be closer to 3%, the London-based consultancy said.

Increased coal trade flows should especially support panamaxes and capesizes and, to a lesser extent, supramaxes.

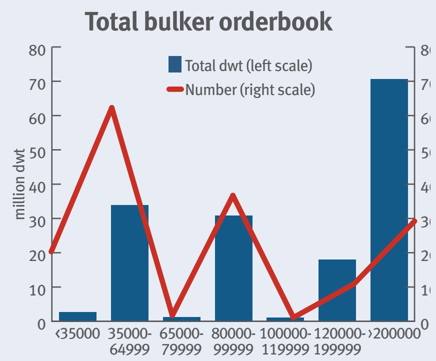
ImagineStock/Shutterstock.com

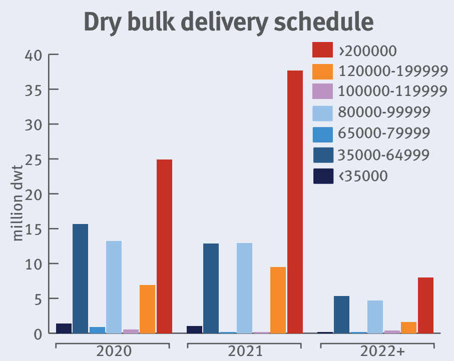
The increased trade flows should support the bulker market, especially panamaxes and capesizes and, to a lesser extent, supramaxes.

Torvald Klaveness likewise believes global coal imports "are likely to record quite positive growth" next year as global economies recover from the black swan event of Covid-19.

The company's head of research Peter Lindstrom noted that coal's share in the total dry bulk trade mix had dipped to 21% in the first nine months of the year from 24% in 2019, using its deadweight tonne-by-duration metric, which takes into account trade inefficacies. Measured by volume, coal's share was 27% in 2019 and 25% in the year to date.

Thermal coal was under "heavy pressure", he said in an outlook report, as investors pull





out of coal-related companies in "fear of association, while local pollution, together with global warming, is affecting the public's and policymakers' attitude towards coal negatively".

However, rumours about the death of coal have been "greatly exaggerated in our view", he added.

The sentiment was echoed by BIMCO's chief shipping analyst Peter Sand, who said "the end of coal will not be any time soon".

Although peak demand was in 2019, coal has been stable over the past five years and would have seen growth this year had it not been for the pandemic.

He does not expect a "massive comeback" next year, but restocking efforts will stimulate trade as the world, excluding China, gets back to normal.

Brokerage Braemar is also a bit more on the bearish side, forecasting growth of just 2% next year, from a contraction of 8% this year.

Weaker demand in Europe, India, Japan and South Korea shape this year's slump, combined with protectionist policies from China, which has seen it ban coal imports from Australia amid a trade brawl.

Vietnam is one of the few bright spots, owing to both healthy steel production and growth in coal-fired power generation, Braemar's dry bulk analyst Nick Ristic said.

"However, in the grand scheme of things, it is not enough to buck the global trend.

"We still see growth into other developing countries such as the Philippines, Bangladesh, and Pakistan, but these forecasted volumes have been trimmed pretty heavily due to the pandemic," he said, with Bangladesh, for example, scaling back its coal power ambitions.

Estimated coking coal imports 2020-2021 (m tonnes)

	2020	2021
European Union	31	33
India	53	57
China	58	62
Japan	43	45
South Korea	30	31
Taiwan	12	12
Rest of the world	33	35
Global	259	275
Change from previous year	**-14%**	**6%**

Source: Drewry

Estimated thermal coal imports 2020-2021 (m tonnes)

	2020	2021
European Union	40	54
India	163	175
China	200	199
Japan	124	126
South Korea	91	93
Taiwan	51	52
Vietnam	50	60
Thailand	23	24
Malaysia	36	37
Philippines	29	30
Rest of the world	135	142
Global	943	991
Change from previous year	**-10%**	**5%**

Source: Drewry

Longer-term view

With the pipeline of new coal-fired power plants slowing over the coming years, and capacity closures in the developed world keeping pace, coal is facing some pressure, according to Klaveness.

"However, while we do believe that the net growth in coal-fired capacity will slow down — both in percentage terms and absolute terms — we are less confident that we will see negative growth in the coming years," it said.

While developing countries in Asia are adding capacity — as is Turkey — Japan and South Korea should at least be stable, given their project pipeline.

"Taken together, we are quite confident that thermal coal imports outside of China and India will grow in the coming three to five years as the growth in emerging economies more than offsets the falling imports in developed economies, mainly the EU," Klaveness said, adding that the swing factors will continue to be China and India, which boast vast domestic reserves.

The move away from coal as investors and the public turn to greener energy sources will hurt trade, although renewables will not completely eat into coal's share, as electricity use is forecast to increase by 50% in 20 years' time, according to BIMCO.

Demand for coal in power sectors could drop from 3,854 terawatt hours to 2,990 TWh, equal to a compound annual growth rate decline of 1.3%, which is "no drama" and reflects a gradual change in the making, it said.

The International Energy Agency said renewable power is growing "robustly" around the world this year, contrasting with sharp declines for oil, gas and coal.

The Paris-based agency said new capacity additions — namely wind and solar — in China and the US will increase output to a record 200 gigawatts this year.

The pandemic "has catalysed a structural fall in global coal demand", it said, adding that its share in the 2040 energy mix is estimated to fall below 20% for the first time since the industrial revolution.

About 275 GW of coal-fired capacity is expected to be retired by 2025.

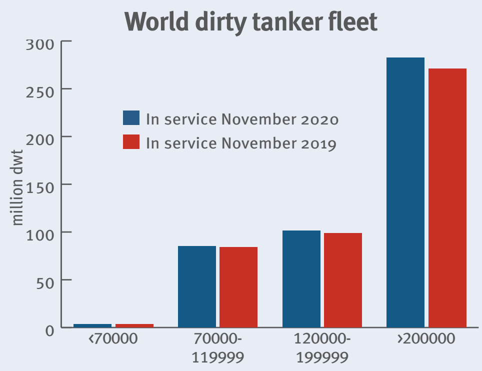
MARKETS

CRUDE TANKERS

The active crude carrier fleet comprised of 2,465 ships, equivalent to 472.2m dwt, at the start of November, according to Lloyd's List Intelligence. This represented a 3.3% increase over last year.

Very large crude carriers, of 200,000 dwt and above, continue to lead the growth, with numbers up 4.3% on year to 281.9m dwt. Suezmax tankers of between 120,000 dwt and 200,000 dwt are also driving fleet advances, up 2.6% on 2019 levels to 652 vessels, representing 101.4m dwt.

The global orderbook was composed of 524 ships, with a carrying capacity of 96.9m dwt. A further 26.5m dwt is due for delivery in 2020, with 43.5m dwt due in 2021 and 26.9m dwt from 2022 onwards.



Vaccine respite for tanker markets ‘at least nine months away’

Demand forecasts are revised lower as a coronavirus resurgence in Europe and US halts recovery, writes **Michelle Wiese Bockmann**

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The imposition of draconian lockdown measures by the governments of key global economies is depressing the demand for oil products.

A vaccine for coronavirus is unlikely to offer any respite for global tanker markets until late in 2021, as renewed lockdown measures across Europe halt any global recovery in demand for transport fuels.

Two influential oil groups have revised down their crude demand estimates for the fourth quarter of 2020 and for 2021 on a resurgence in infections in Europe and the US.

In November, the International Energy Agency said it expected crude demand to be 8.8m barrels per day lower than in 2019, at 91.3m bpd — 400,000 bpd below the previous month's forecasts.

Demand in 2021 will then rise by 5.8m bpd to 97.1m bpd.

“Vaccines are unlikely to significantly boost demand until well into next year,” the Paris-based agency said in its monthly oil report.

“It is far too early to know how and when vaccines will allow normal life to resume. For now, our forecasts do not anticipate a significant impact in the first half of 2021.”

The Organisation of the Exporting Petroleum Countries revised its global outlook 300,000 bpd lower in a monthly report published on November 11.

Demand in 2020 was forecast to contract by 9.8m bpd to 90m bpd. Opec expects a rise of 6.2m bpd in 2021.

“Oil demand will be severely hampered and sluggishness in transportation and industrial fuel demand is now assumed to last until mid-2021,” the report said.

Even though oil supplies are rising, the latest assessments provide a pessimistic backdrop for the tanker sector, which ships about 50m bpd for day, or half of all crude produced.

WANT MORE TANKERS?
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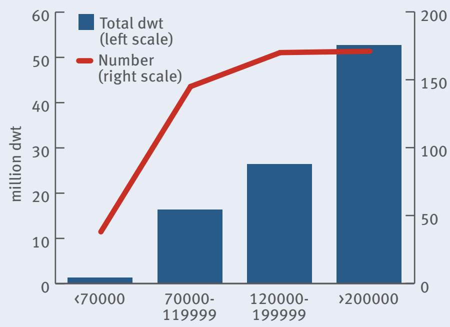
Crude and product tanker earnings have been sliding since August, reaching levels barely above operating expenses on many routes for all vessel sizes in the six weeks to mid-November.

The supply of tankers has outpaced demand as the pace of recovery for gasoline, diesel and jet fuel slows.

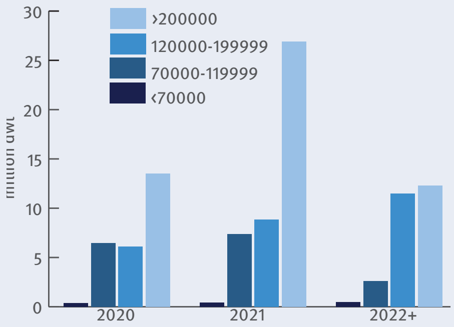
Oil production cuts and lower refinery utilisation in Europe and the US due to hurricanes, maintenance and sharp falls in the consumption of refined products, added to pressure.

Tankers used for floating storage also came off time

Total dirty tanker orderbook



Dirty tanker delivery schedule



Spot rates in 'cash burn mode' as owners report results

Spot rates for tankers are in "cash burn mode" and demand for seaborne oil and refined products will not return to pre-pandemic levels over the next 12 months, said shipowners, as they reported third-quarter results in mid-November, *writes Michelle Wiese Bockmann.*

Among the four tanker owners reporting was Moscow-listed Sovcomflot, announcing first results since listing in Moscow two months earlier.

The owner of 124 trading tankers — including 30 liquefied natural gas carriers — reported a $23.1m profit in the third quarter and estimated that oil trade will rise by 5% in 2021, less than the demand contraction seen over 2020.

That is very similar to the estimate given by New York-listed Diamond S Shipping, which forecast seaborne crude trade to rise by 5.4% in 2021, after falling 6% this year.

Diamond S, which also owns both crude and product tankers, estimated that volumes of oil products shipped by sea would fall by 7.2% this year and rise by 6.1% in 2021.

The shipowner reported a net loss of $9.7m on revenue of $112.5m. That reflected the decline in earnings on the spot market as tankers deployed for floating storage of excess crude and products ended charters, adding to a vessel surplus and depressing rates.

Anatoly Menzhiliy/Shutterstock.com

Tankers deployed for floating storage of excess crude and products ended charters, adding to a vessel surplus and depressing rates.

Time charter equivalent rates earned on the spot market for Diamond S crude tankers averaged $20,224 daily in the July-through-September period, all below the company's cash breakeven of $21,000.

Earnings for the product tanker fleet for medium range and handysize ships have all been below the cash breakeven rate of $13,500 since July, according to the investor presentation.

"You need to have a clear view of what the future looks like on the spot market and right now the reality is that it's in 'cash burn' mode," said Diamond S chief executive Craig Stevenson

"Both businesses (spot and crude) are generating cash losses today in the spot market. If you look at India's consumption today and you look at China's consumption today, they are back to pre-Covid levels, super-positive — but we need the rest of the world to follow suit."

Nordic American Tankers, with a fleet of 23 suezmax tankers on the water, reported a loss of $10m, as vessels were removed from the market for drydockings, reducing revenue as fleet utilisation fell to 71%.

The company reported average time charter equivalent earnings of $25,000 daily for each vessel.

"Our long-term positive view on the tanker market remains the same, but the global pandemic has, in our point of view, delayed it by months and not years," said chief executive Herbjorn Hansson.

"A low oil price is good for the world economy and works as a stimulus for recovery. We see encouraging signals of improved Asian economies, boding well for the world economy and the tanker markets going forward."

Despite the optimism, it was unclear why utilisation was so low.

One analyst questioned whether this was due to planned docking, unplanned technical offhire, or commercial offhire.

The company did not say how many vessels were drydocked or why.

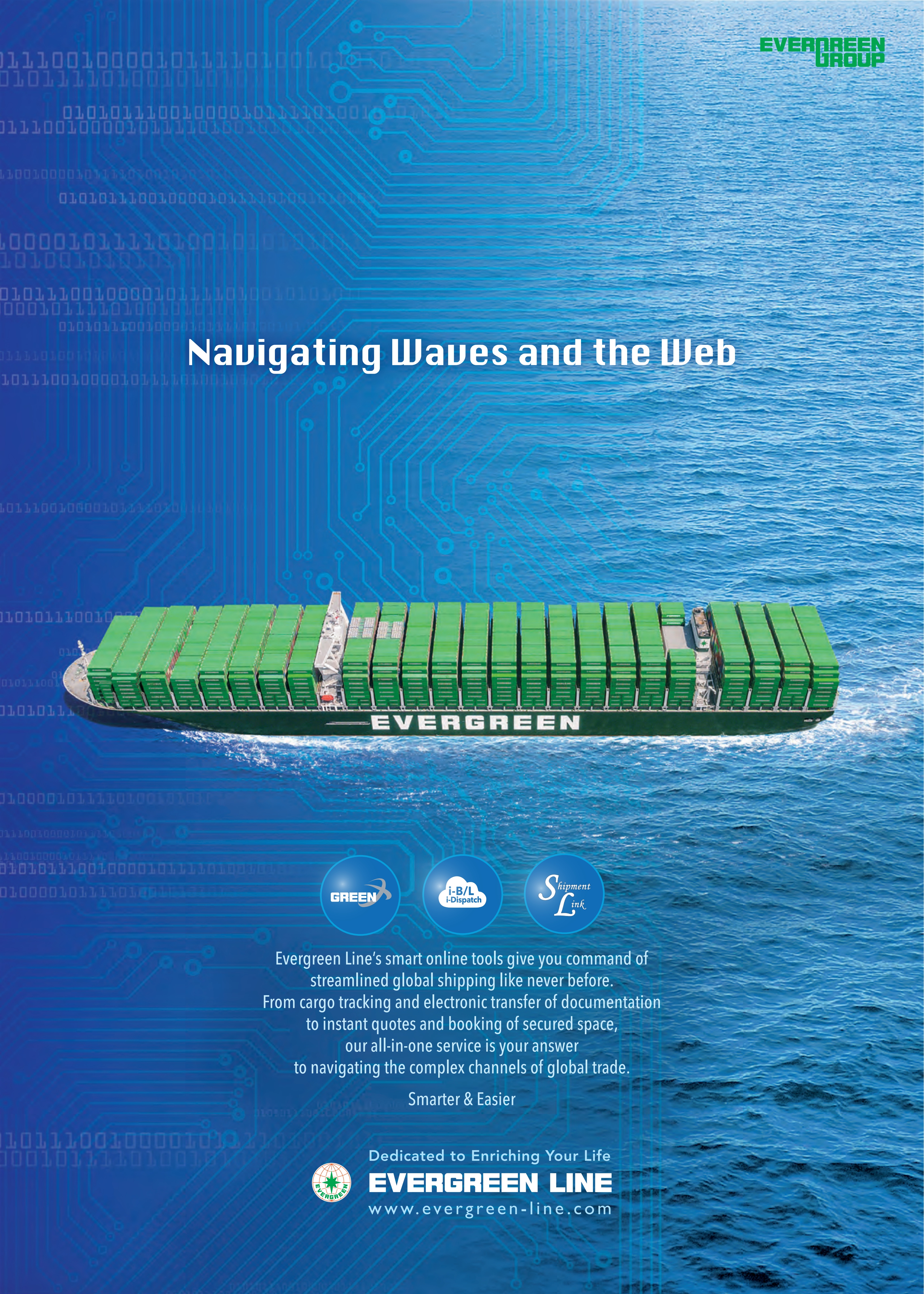
Nasdaq-listed Performance Shipping, which repurposed from owning containerships and moved to the aframax sector mid-year, reported average earnings of $15,990 for its fleet of four tankers over the third quarter.

The company previously indicated in an October presentation that its daily cash breakeven rate for the four vessels is nearly $19,000.

The company reported net income of $389,000 on voyages and time charter revenues of $9.5m.

Like Sovcomflot and Diamond S, Peformance Shipping management highlighted that the orderbook-to-fleet ratio in the tanker sector was the lowest since 1996.

"We believe the low orderbook, in conjunction with the gradual resurfacing of oil demand following a return to normality post Covid-19, will result in higher tanker charter rates in the future," the company said, without providing any further guidance.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The global active fleet of liquefied natural gas carriers comprised 589 vessels totalling 89.7m cu m as of early November, a 6.3% increase on its year-ago total, according to Lloyd's List Intelligence.

The LNG orderbook stood at 181 units, representing 24.6m cu m of carrying capacity. Of this, 2.8m cu m is scheduled for delivery in the rest of 2020; nearly 10m cu m in 2021; and 11.6m cu m in 2022 and beyond.

For liquefied petroleum gas tankers, the active global fleet was composed of 1,582 ships, with a carrying capacity of 36.8m cu m, up 5.6% on year.

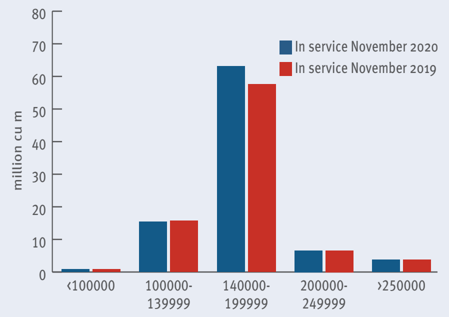
The LPG orderbook is still dominated by very large gas carriers. Of the 145 vessels on order, 69 VLGCs, or 23.8% of the fleet, are due for delivery.

The global fleet of product tankers comprised 8,853 vessels with a carrying capacity of 198m dwt, a rise of 2.1%.

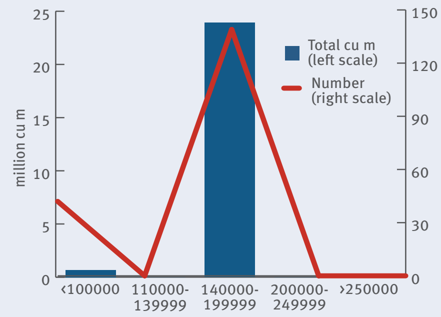
The product tanker orderbook stood at 585 ships, comprising 29.9m dwt: 290 MR vessels, 63 LR1s and 42 LR2s.

LNG TANKERS

World LNG tanker fleet

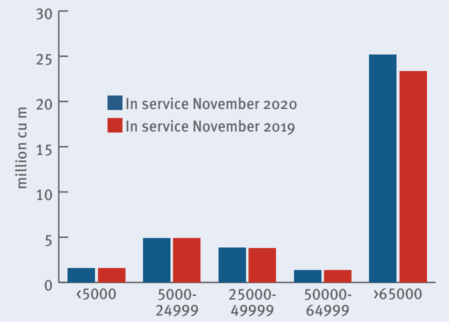


Total LNG tanker orderbook

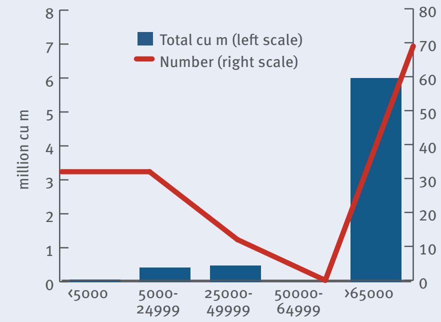


LPG TANKERS

World LPG tanker fleet

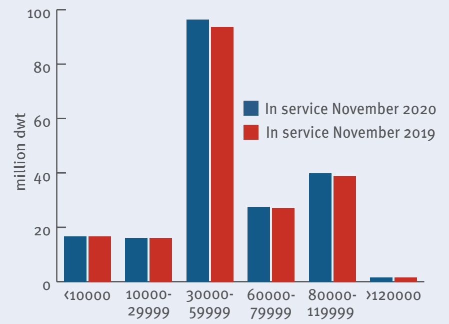


Total LPG tanker orderbook

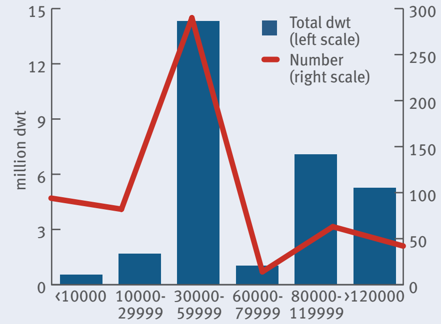


PRODUCT TANKERS

World product tanker fleet



Total product tanker orderbook



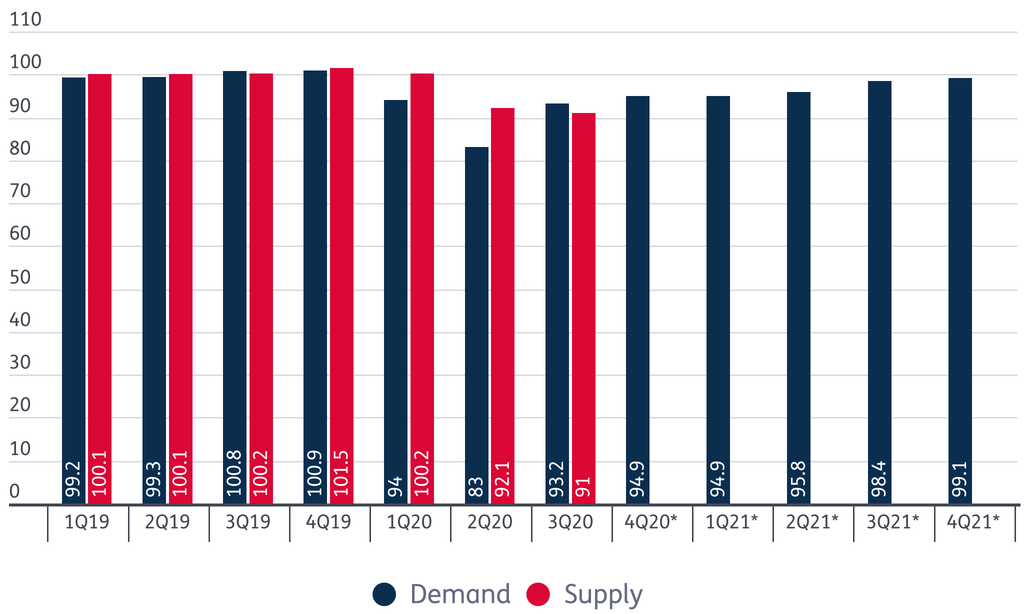
charters from October, adding to the oversupply.

Agreed Opec production cuts to control plunging prices slashed crude exports, especially from the Middle East Gulf, where shipments were down by as much as 4m bpd over June and July, equivalent to two very large crude carriers daily.

The IEA estimated fourth-quarter oil demand was trending 1.2m bpd lower than anticipated a month ago, amid a mild start to the northern hemisphere winter.

Additional crude is normally needed to produce extra gasoil and kerosene for heating, providing a seasonal uplift in crude shipments to refineries, and generating product cargoes for the Japanese, northwest Europe and east coast US markets.

Total world oil supply and demand (m barrels per day)



* forecast

Source: International Energy Agency

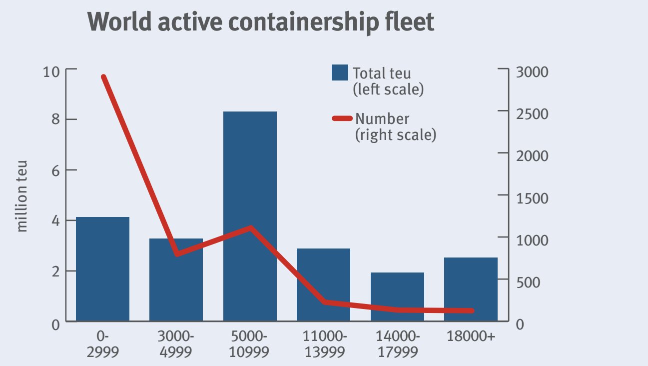
MARKETS
CONTAINERS

The global containership fleet remained at slightly over 23m teu at the start of October, according to Lloyd's List Intelligence.

Container lines and non-operating owners' show of order restraint throughout 2020 continued, with no firm agreements for fresh tonnage reported.

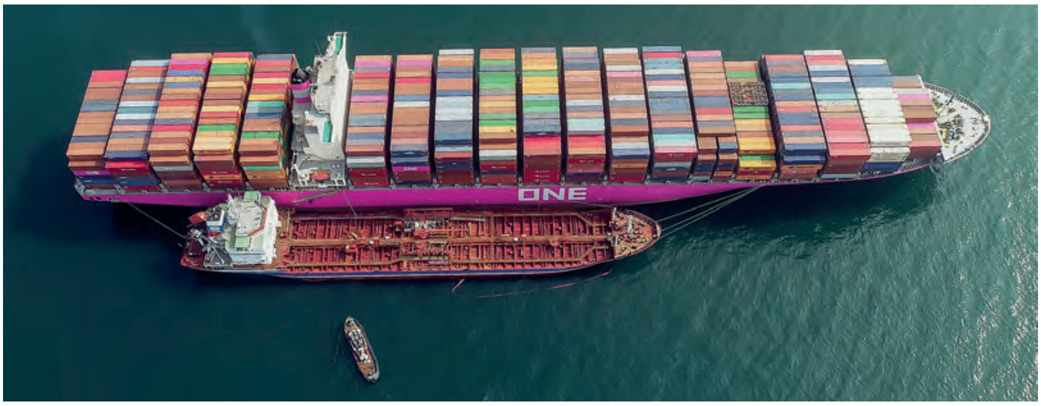
Without any confirmed deals in October, the orderbook remains at long-term lows of around just 10% of the existing fleet, with some estimates putting it as low as 8%.

Lloyd's List Intelligence recorded 16,235 teu sent for demolition in October and the figure is likely set to rise after a period of low scrapping levels.



Bunker costs a critical factor in box shipping's bumper year

Lower fuel costs may have been as important as capacity management for container lines' profitability this year, writes **James Baker**



Lower fuel costs have played a significant part in container shipping's profitability this year.

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Lower fuel costs may have had as much effect on the success of container shipping lines this year as their new-found capacity discipline.

"Lines have surprised with capacity, and 2020 has turned out to be a bumper year," said Shipping Strategy managing director Mark Williams. "But was it brilliant management — or just low fuel prices?"

He said major liner companies reported a $1.8bn profit in the second quarter of 2020, an increase from just $53m in the corresponding quarter last year.

However, this was the quarter that had the biggest disruption from the pandemic — and third-quarter numbers are likely to be even better.

Despite volumes falling by nearly 10%, revenue per load was up 9% on average on the back of heavily discounted fuel prices.

"Fuel costs were down nearly 60% year on year in the second quarter," Mr Williams told a BIMCO webinar.

"The delay between the falling price of fuel and the lifting of bunker surcharges explains much of the rise in those profits."

With the introduction of new sulphur rules in January, liner companies had brought in higher charges just ahead of the collapse in the oil price at the start of the pandemic.

The premium for very-low-sulphur fuel fell to just half of what had been anticipated.

"The liner companies made hay as a consequence," he said.

CMA CGM, for example, reported revenue for the second quarter that was down 10.9% compared to the previous year as volumes fell 13%.

Revenue per teu rose by 2.8% on higher rates, but the line's operating margin rose by 86% and earnings rose to more than $1bn, which it attributed to the fall in oil prices.

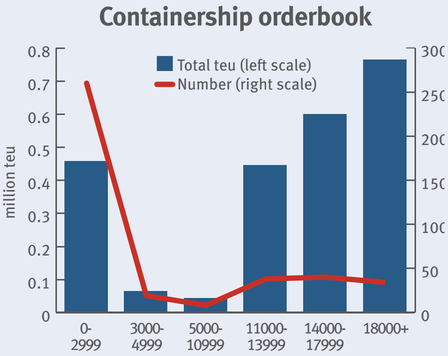
Oil prices had stayed low, but it remained to be seen whether lines could continue with the surcharges, Mr Williams said.

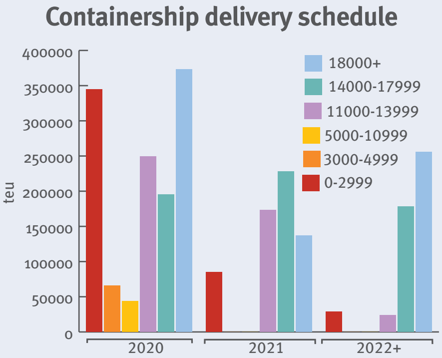
"They are certainly making the supply management work and freight rates remain good."

No-one had predicted fuel costs would decline this year, and the consensus had been that VLFSO would stay at least $120 per tonne higher than heavy fuel oil.

Carriers were anticipating higher fuel prices but then the oil markets had several spasms.

Transport fuel demand collapsed and has still not recovered, so fuel prices ended up being lower than anticipated.





Lines had imposed surcharges across the board that they thought would apply for most of 2020.

Yet with surcharges being a trailing factor in profitability when oil prices decline, their impact may not be felt for much longer, and attention would instead turn to how capacity was managed under the "next normal" that would emerge following next year's Chinese New Year, said BIMCO chief shipping analyst Peter Sand.

The first phase of the pandemic had seen consumer spending underpinned by a move to goods instead of services, and backing from various fiscal stimulus programmes that had supported containerised freight.

The second lockdown that many European countries were now experiencing was more fragile, however, and rising unemployment would be bad for consumer spending. Even if the recently announced vaccine is a success, that could spur a move back into spending on services.

Nevertheless, the prospects for container lines looked positive in the medium term after a "magical year", said Mr Sand.

"It has been a mind-blowing year in 2020 and we will see volumes come down again.

"But we have found out what we knew all along: that profitability in the liner business is much more sensitive to freight rates than to volumes.

"That is the one thing that we need to keep an eye on. The keen focus from container lines must be that they keep freight rates high and they do not chase the loss-making boxes."

Bafs must be better designed if shippers are to carry the cost of decarbonising shipping.

Shippers must fix 'broken bafs' to pay for decarbonisation

The container shipping sector needs to find an alternative to the bunker adjustment factor as it makes efforts to transition towards future fuels, *writes James Baker*.

The decarbonisation of container shipping will be paid for by carriers, but those costs will inevitably be passed through to their shipper customers.

"Ultimately, whatever measure gets used to reduce the amount of CO_2 in shipping, whether at an International Maritime Organization or regional level, the ultimate payer is going to be the shipper and the beneficial cargo owner," said Yerzhan Nauruzbayez, co-founder of transport technology firm Ecumene Ventures, which is working with the European Shippers' Council to develop an alternative solution to traditional bafs.

"As we've seen so many times, for example with sulphur-reduction initiatives, shippers ended up paying and being handed low-sulphur surcharges."

Carriers would come up with some sort of pass-through mechanism or surcharge, but this created a problem.

"What we have seen so far with any emissions-reduction initiative made by regulators is that when carriers want to pass the cost on the shipper, there was no transparency, no accuracy and it created chaos."

Bafs were an "elephant in the room" that were originally designed to cope with the oil crisis in the 1970s but which were no longer valid, Mr Nauruzbayez said.

"Historically, they have been based on indexes that allow for a significant level of distortion," he said.

"The problem is that they cannot adapt to the very dynamic nature of marine fuel prices, new fuel grades, changing regulatory environments and new technologies."

The ESC wants to see a move away from bafs to a fact-based surcharge that is based on actual usage per shipment.

This would create a win-win situation in which fuel costs, which can represent anything from 15% to 30% of the total freight cost, could be accurately passed through to the shipper.

"Fuel is the most volatile cost in transport and represents the most risk to the supply chain. But it is also the least transparent. When shippers have their own baf formula, it becomes a problem for the carrier too."

Traditional bafs could not always account for the correct fuel type the ship was using or the cost of fuel where the vessel had bunkered.

Moreover, they failed to take into account the use of LNG or scrubbers; nor could they account for individual vessel consumption.

This would become more critical when it became necessary to try to recover carbon emission costs from shippers, Mr Nauruzbayez said.

"Baf is broken," he said. "It needs to be changed."

In its place, Ecumene and the ESC want to see a far more granular system that would take into account other factors, such as fuel consumption, load factors, bunkering costs and voyage details.

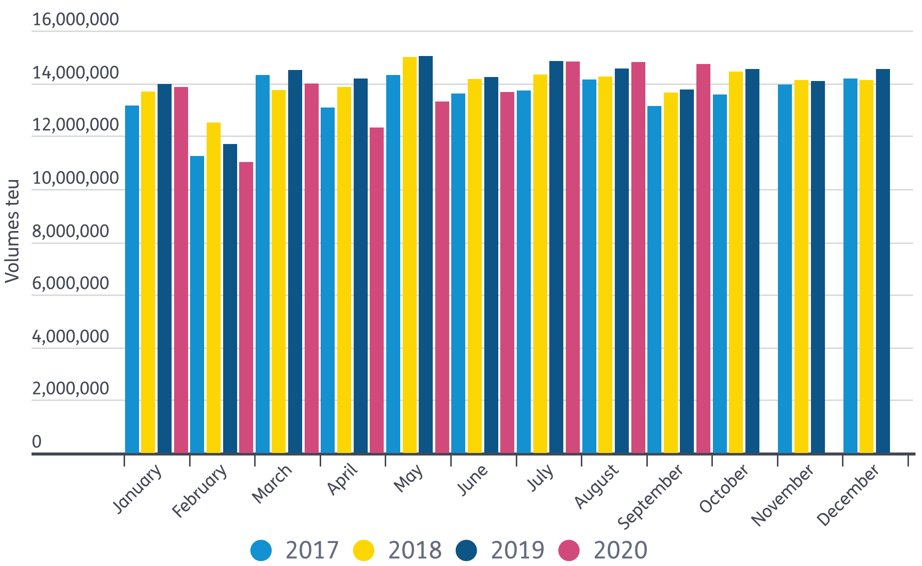
Port of Oakland

Container shipping has witnessed a 'phoenix-like' rebound in volumes.

September surge puts box volumes in growth territory

Latest volume data supports the notion of an unprecedented prolonged peak season on the transpacific, where headhaul box numbers surged some 31% in September against last year, **Linton Nightingale** reports

Container trade volumes (2017-2020)



Source: Container Trades Statistics

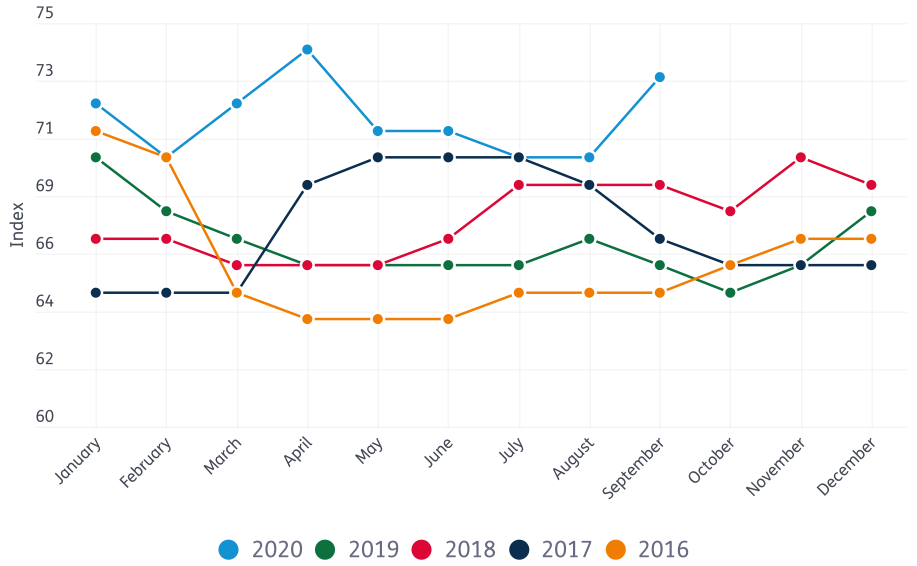
A surge in headhaul transpacific trade in September led to a second consecutive month of growth in global containerised volumes, ensuring third-quarter numbers came in above last year and the liner industry remained firmly in recovery mode.

The latest figures from Container Trades Statistics show global teu volumes of 14.72m for September, a rise of 6.9% against the corresponding month of 2019.

This came off the back of an uptick in August volumes (1.7%), when monthly figures rose above last year's total for the first time in 2020; and July's marginal fall (-0.1%) — which, despite the deficit, is still container shipping's busiest month of the year so far.

Nevertheless, gains made in August and September were enough to elevate third-quarter volumes into growth territory of around 2.7%.

The CTS Global Aggregated Price Index



Source: Container Trades Statistics

Third-quarter volume growth marks a startling turnaround for carriers, who, back in April, were left reeling from a 13.1% slump in volumes amid the height of the initial pandemic outbreak that would have left many fearing the worst.

Although volumes picked up slightly in May (-11.4%) and performed better in June (-3.9%), second-quarter liftings were still down nearly 10%.

Initial estimates were for double-digit percentage drops in global traffic for the year, which have since been drastically downgraded as the industry's unprecedented recovery gathered pace.

The latest CTS figures for September continued to close the gap on last year. With global traffic of 122.5m teu through the first nine months of 2020, year-to-date traffic is now only 3% down on last year.

Meanwhile, the CTS Global Price Index responded to this higher demand by gaining another three points, climbing to 73 and close to this year's high of 74 witnessed in April.

The principal driver of global growth has come from the transpacific, where volumes have marched onwards throughout the summer and into the autumn — prolonging a peak season that was once unimaginable — as US inventories continue to be restocked, having been drained during the early stages of the coronavirus pandemic.

Reports of high utilisation and the addition of extra loaders on headhaul eastbound routes pointed to a strong September, with CTS data for the month backing up these reports.

Volumes of 2.16m teu represented an 8% jump on August, but also a staggering 31% increase over September 2019.

"This growth is strong by any standards but there was no peak season to speak of on this trade last year, as shippers replenished stocks earlier in the year to beat US tariffs on Chinese imports," said CTS.

Although eastbound transpacific volumes continue to go from strength to strength, the same cannot be said for North American exports.

CTS said that trade heading out of the continent was down 9% through the first nine months of 2020.

Indeed, all trades from North America showed negative year-on-year growth in September, apart from North America to sub-Saharan Africa, which is one of the smallest, according to CTS.

During the Global Liner Shipping Conference in November, Sea-Intelligence chief executive Alan Murphy pointed out that the recovery in volumes seen in recent months had been very lopsided.

While transpacific volumes have surged, only Africa and Oceania trade lanes have also shown growth of merit.

The concern he raised was that the strong sentiment on the transpacific will likely prove short-lived, through to when inventories are eventually restocked — at which time, it will no longer be able to offset the weaknesses on other trades.

The next round of volume data from CTS will cover October and, more importantly, the Golden Week holiday period, when cargo flows from China typically slow down.

However, market indications suggest that volumes have not tailed off quite as expected, with strong demand extending well into the winter season, backed up by continued rate resilience and the scale-back on blanked sailings, which has led to record fourth-quarter capacity.

Spot rates on the major east-west trade lanes have shown increasing defiance.

In mid-November, the Shanghai Containerised Freight Index continued to show little weakness in the spot market, with rates still holding near-record highs.

Spot rates on the transpacific trade rose slightly by 0.7% to $3,913 and 0.1% to $4,682 per feu on the respective China-US west coast and China-US east coast trades.

Meanwhile, on the Asia-Europe trade, buoyed by new benchmark levels introduced mid-month by carriers, freight rates on the spot market jumped 9% on routes to northern Europe from China to $1,644 per 20 ft unit, and 7.3% to $1,797 per teu on the China-Mediterranean trade.

Just how long these rates will hold out remains the ultimate question.

More and more European countries are enforcing tighter lockdown restrictions on inhabitants to prevent a second wave of coronavirus, while the rise in infection rates in the US is also setting the alarm bells ringing once more.

Carriers will be all too aware of the impact lockdowns had on global demand earlier in the year.

"The challenges facing the container shipping industry are not going away yet," said CTS.

CTS
Container Trades Statistics

Container Trades Statistics Ltd (CTS) has been reporting teu volumes and price indices since 2008.

Appointed independent data service provider to World Liner Data Ltd (WLDL) in 2010, CTS now manages WLDL's database of global teu liftings and pricing data contributed by WLDL members, which include the top global container carriers.

CTS reports on 49 regional trades, estimating — where necessary — non-WLDL member volumes to produce estimated total trade figures.

On some trades, including Far East-Europe, reports are based on 100% contributed data.

For further information, visit: www.containerstatistics.com

Foggy forecasts, fleet renewal and fuel transition

The Global Liner Shipping Conference turned virtual in early November, when the discussion centred around the cost of zero-carbon shipping, the pandemic shock and fleet replenishment, **James Baker** reports

Carriers face an expensive transition to a zero-carbon future.

Container shipping needs to prepare quickly for increasing demands to decarbonise shipping and find solutions for how it will pay for the move away from fossil fuels.

"For a long time, energy has been relatively cheap," V.Ships managing director Franck Kayser told the Global Liner Shipping conference.

"We are now going into a world where that is changing completely. Energy is going to be very expensive, either because we are going to use new forms of energy that are costly to produce and store, or because the capital expenditure to produce that energy is high."

There was also a risk of greater taxation on existing fossil fuels that would push up prices, he said.

However, the low cost of carbon-based fuels and lack of obvious alternatives would make it difficult to change.

"We will have a world where a lot of choices need to be made — but it is difficult to see where we are going and which energy to bank on," he said.

"The challenge here is that you will probably have to follow all of them. You cannot really say at this point in time that one will have an advantage over anything else."

Yet with trade-related transport being responsible for 8% of global carbon emissions, decarbonisation was key to the industry, said Kuehne + Nagel head of global trade Paolo Montrone.

"Container shipping used to be about cost and time. Then it became about flexibility and reliability. Now we can safely say that sustainability is the fifth pillar in decision-making."

Mr Montrone said while most carriers were extremely committed to CO_2 reduction and becoming carbon-zero, there was also a new class of consumer that would drive change.

"Customers are making use of sustainable choices. It is a business imperative to make supply chains more sustainable."

These customers would be prepared to pay more for greener shipping, he said.

"Freight rates at nearly $4,000 per feu on the transpacific are not affecting the consumer," he said.

"And there is a competitive advantage in being sustainable. The future is for sustainable companies."

However, this would require the acceptance of higher rates from beneficial cargo owners.

"The cost of decarbonisation should not fall on the liner industry," said Trafigura global head of fuel decarbonisation Rasmus Bach Nielsen.

Trafigura, the world's largest commodities trader, has proposed a carbon levy that could equally be applied to container shipping as well as tramp shipping.

"We envisage a bunker adjustment factor charge that could be calculated and applied to beneficial cargo owners."

The world had changed, he added — and container shipping was an easy sector to regulate.

"However, we need regulation from the International Maritime Organization. The question with all renewable options is who is going to sign off on the long-term investment?

"To achieve this requires clear, transparent and enforceable regulation. Then a price can be applied on a per-container basis."

Box demand picture clouded

There is no guarantee that the sharp rise in demand for containerised freight can continue over the next 12 months.

"Economics is just human behaviour put into a formula," said Sea-Intelligence Consulting chief executive Lars Jensen.

"Can we assume people's behaviour will stay the same? If the laws of economics are going to hold up, behaviour should stay the same; if it changes, then the rules change."

Consumption behaviour tended to change slowly over time, he said. Yet the challenge was that there had been "fantastic volatility" in the market this year.

"A very sizeable part of the container shipping market does come down to consumer behaviour," said Mr Jensen.

"Since 1959, the US consumer has given a bigger share of their consumption to services than to goods. This has been a stable curve, with only two exceptions: the global financial crisis and the pandemic."

The change in consumer preferences during 2020 had been larger than at any time in the history of containerisation — and, while the consumption of goods had recovered from the initial shock during the first half of the year, overall consumption remained down.

The ongoing course of the health crisis would determine what would happen to consumer behaviour, said Mr Jensen.

"The pandemic has caused the unprecedented changes in consumer behaviour and it would be extremely dangerous to make assumptions. No-one knows for sure what the impact of the second wave will be."

While it was highly likely that there would be a return to growth over the next five to 10 years, it was impossible to know what would happen next year, he added.

"The best way to forecast for the next 12 months would be to come up with a random number," he said.

"For the short term, all bets are off. The risks to extremely large disturbances to the system, both upwards and downwards, are very much present and can happen within weeks."

Sea-Intelligence chief executive Alan Murphy pointed out that the recovery in volumes had been very lopsided, with only North America, Africa and Oceania showing growth.

"The market share of Africa and Oceania are so insignificant that it is fundamentally a matter of North America — specifically the US — driving the recovery," he said.

Yet in the US, there was "a complete decoupling" between the underlying economy and container shipping, which was not a sustainable development.

Moreover, it appeared that demand was being driven by the restocking of inventories that had been drained during the initial supply crisis, Mr Murphy said.

As these were restored, there was greater demand for container shipping, but this would only be a short-term boost.

This was further evidenced by the strength of rates to US west coast ports, compared to those to the US east coast, which had not risen by such a large degree.

"The premium on the US east coast is down as shippers prefer the shorter route to markets on the west coast. That does not support strong long-term demand."

The current orderbook is at only 8.2% of the existing fleet, the lowest in decades.

Surprise year ignites new interest in fleet renewal

The global economy is "nowhere near out of the woods" in terms of the Covid-19 pandemic, which has, to date, cost more than 1.2 million lives and affected millions of people's livelihoods.

"Many businesses have been affected and governments have had to step up and support failing industries," Mercator International partner Jesper Kjaedegaard told the Global Liner Shipping conference.

"Millions have already lost their jobs and, with government-sponsored furlough schemes coming to an end, there will be many more millions finding themselves unemployed by the time the festive season arrives."

This would mean little to celebrate this year — but in the middle of the pandemic, there were still companies and sectors that were thriving, he said.

As well as a number of technology companies that had seen their share prices rocket since the beginning of the year, container shipping was one of the sectors to have been successful in 2020.

"How on earth can that be? Isn't this supposed to be an industry whose growth and performance is directly related to global GDP? Is it not an industry where even a little overcapacity leads to plummeting rates?" he said.

"Only a year ago, the industry cried out that the move to low-sulphur fuel would be a major financial setback."

Instead, the box shipping sector had found itself in an environment where freight rates had increased substantially, charter rates had increased and laid-up vessels had been returned to service.

"The cost of fuel has fallen over the past year and the introduction of larger ships has led to lower slot costs," Mr Kjaedegaard said.

"Carriers are reporting financial results that in any other year would be very impressive but this year surely have to be classed as extremely exceptional."

How sustainable this year's results will be will depend partially on fleet developments. The current orderbook is at only 8.2% of the existing fleet — the lowest it has been in decades.

"The question is, of course, how long the carriers will continue to show restraint — or whether they will use some of the millions they will earn this year to place orders with shipyards that are very hungry for new orders," he said.

Cosco's confirmation of an order for seven 23,000 teu ships indicated "that ball may have already started to roll", he said.

Hapag-Lloyd chief executive Rolf Habben Jansen — who has said his company would, at some point, need to order new vessels — said newbuildings would be needed but these would not lead to overcapacity emerging again.

"There have been very few orders placed this year," Mr Habben Jansen said.

"If you take into account that the orderbook covers about two to three years of supply, then that orderbook — or even something larger — is required just to replace ships that are going to be older than 22 to 24 years."

More orders would be likely in the upcoming quarters, he added.

However, according to Danish Ship Finance analyst Jonas Hoffmann, the dramatic changes to liner shipping this year were unlikely to be a long-term factor in ordering.

"Consumption of containerised goods has remained stable, despite coronavirus," he said.

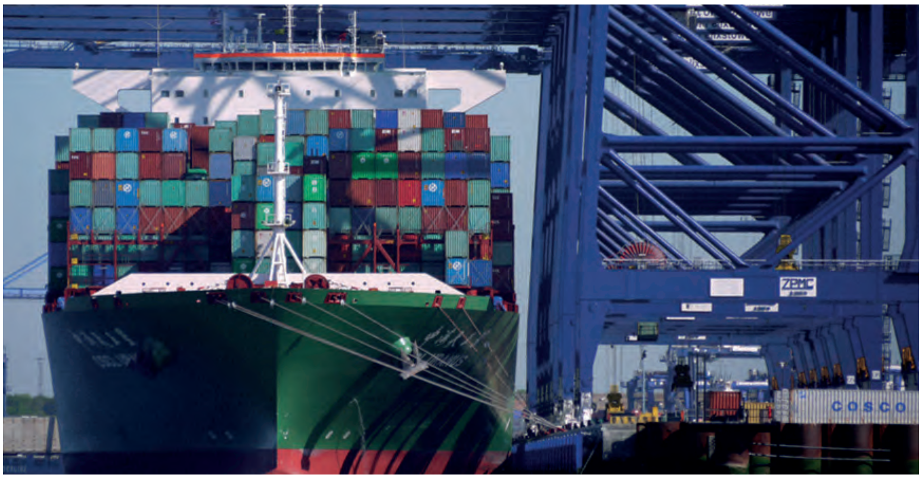
"If we look at the supply side, carriers reacted to the slowdown this year by reducing capacity but this has led to an imbalance between supply and demand that is leading to a catch-up effect, which is still supporting current freight rates."

This would be a temporary feature and did not reflect a fundamental structural change to the sector, he added.

"The current spike is driven by an absence of changes on the demand side."

Changing lanes: EU must use time wisely before CBER review

With three more years until Europe's Consortia Block Exemption Regulation is up for review, the European Commission must use time wisely to assess the landscape of container shipping, which has evolved significantly since its inception, **Antonella Teodoro** reports



Europe's exporters and importers need a competitive and responsive shipping market.

The European Commission decided in March to prolong the Consortia Block Exemption Regulation, leaving its terms unchanged for a further four years.

The regulation permits the exchange of information between shipping lines operating in consortia normally forbidden under general European Union competition rules. The exemption is available only to lines with less than a 30% share of the relevant market.

Introduced in 1995 and then revised in 2009, it was designed in a landscape quite different from today. Consolidation in the industry has been rapid.

In 2006, the top 10 shipping lines controlled less than 60% of global deepsea capacity. None had a share above 20%.

By 2020, the three major players controlled circa 90% of the global capacity deployed in the deepsea markets.

Acquisitions in the feeder market have reinforced this trend. In 2006, measured by deployed capacity, the four leading north European lo-lo lines were independent. Now the leading four are owned by deepsea lines or stevedores.

Meanwhile, the lines themselves are extending their ownership in stevedoring and forwarding, which CBER does nothing to prevent.

Based on MDS Transmodal's latest available model, allocating estimated container flows to individual services alongside operating costs and revenues, we estimate that between 2006 and 2020, unit costs fell by approximately 36% and bunker consumption per teu by around 41%.

Overall vessel utilisation fluctuated but was generally consistent, while rates fell by around 27% between 2006 and 2016.

Lines chose to operate much larger and slower ships after EU legislation eliminated conferences, in order to compete vigorously on price.

Liner round-trips have extended from 56 days to a mean of 68 days between the Far East and Northern Europe.

However, the decline in rates (particularly if calculated net of bunker costs) came to a halt after 2016, despite ship scale economies continuing to improve.

The positive impact of consolidation on underlying costs and rates appears to have been played out by 2016 and has not reduced rate fluctuation — and, when corrected for bunker prices, net rates rose, despite utilisation falling in the second quarter of 2020.

Despite an overall decline of 23% in the number of services offered in the deepsea market between 2006 and 2020, the overall deployed capacity grew by circa 70%, with the deployed capacity offered with ships of at least 7,500 teu increasing 12-fold during this period.

Product development and efficient supply chains require shippers to be able to feel secure about the continuity and price of shipping services. It is indisputable that a sustainable shipping industry based on long-term investments in supply chain assets requires confidence on the part of all the relevant parties.

Based on experience through to 2016, global shipping could approach optimum economies of scale and still operate with these three independent global networks in a competitive environment. However, those unassigned to the carrier groupings would find it difficult to compete.

There are also severe barriers to entry. Independent owners of containerships are dependent on charters from alliance members for their employment.

Larger independent carriers, who trade over a wide range of routes, may have some leverage where market share was high. However, there is less protection for smaller lines seeking to retain independence.

These barriers to entry provide an incentive to engage in more vertical integration. Shipping lines' eyes seem to be fixed on the challenging target of becoming global logistics integrators.

At least, this appears to be the aim of key ocean carriers. Maersk and CMA CGM, for example, aim to offer a new, more holistic service to their customers through vertical integration.

"The future will be very much about scaling the land side of the equation.

"We for sure have to do some acquisitions in the logistics space, primarily to gain capability and scale," Maersk chief executive Søren Skou told the Financial Times last year.

AP Moller-Maersk has implemented this strategy, acquiring Vandegrift (customs brokerage and logistics business) and by merging Maersk Line and Damco into one organisation, while CMA CGM has acquired CEVA Logistics.

Shipping lines have also been acquiring feeder companies and are now working closely with port operators, including in the area of data sharing.

There are risks involved in the vertical integration strategy, including the scale of financial investments required, dealing with changes in the lines' business model and associated costs.

However, the business opportunities are very appealing. They allow carriers to get closer to the cargo owners (shippers) and influence how to move their goods, while also enabling further exploitation of economies of scale and scope, plus extended market coverage.

For the lines, shipping and terminal services represent a joint product. Shipping around 170m loaded teu globally requires around 780m teu port liftings; high levels of transhipment are the price of achieving economies of scale at sea. Stevedoring services represent just 35% of gate-to-gate costs.

The vertical integration of shipping and port business will affect the competitive position of individual ports and some nation states.

This process has a clear logic. It permits the development of integrated networks able to achieve efficient economies of scale that are of clear benefit if they reduce trade costs and improve global connectivity.

The sea voyage will increasingly become just a part of the whole service offering. The way in which information is shared and managed within the integrated entities will be vital; technology will be key.

However, vertical integration and the further expansion of shipping lines into terminal operations can affect competition and choice for shippers, especially if all terminals within a port are controlled by the same company and are acquired by or merged with a shipping line.

In these cases, the new entity will have an incentive to discriminate against other shipping lines by providing lower- quality service and/or applying higher port rates.

Deepsea container shipping routes to Northern Europe (2006 v 2020)

Top five routes	Q2 2020				Q2 2006			
	No of operators/alliances	*No of operators/alliances with 30% share or more*	*% of deployed capacity*	*% of market that 'breaks the rule'*	*No of operators/alliances*	*No of operators/alliances with 30% share or more*	*% of deployed capacity*	*% of market that 'breaks the rule'*
Europe/Mediterranean - Far East	5	1	24%	20%	15	1	29%	9%
Europe/Mediterranean - North America	20	0	15%	0%	22	0	14%	0%
Europe/Mediterranean - ME Gulf & ISC* - Far East	3	1	15%	9%	11	0	21%	0%
Europe/Mediterranean - America	13	0	11%	0%	23	0	10%	0%
Europe/Mediterranean - ME Gulf & ISC*	10	1	9%	3%	20	1	6%	2%
Total (including all routes to Northern Europe)				**51%**				**22%**

**Middle East Gulf and Indian Subcontinent*

Source: MDS Transmodal, Container Business Model, August 2020

> *There are risks involved in the vertical integration strategy; however, the business opportunities are very appealing*

The European Commission, national competition and other regulators might, therefore, consider the possible effects of vertical integration for the shipping industry.

Public sector port authorities, too, should monitor and evaluate carefully the private operators to whom they award port concessions.

Given the switch to cleaner but more expensive fuel, lines have another immediate interest in making bunker cost calculations available for independent assessment, to avoid unnecessary heat and misunderstanding as the cost of switching to greener energy solutions become evident.

As the pressure to switch to cleaner but potentially more expensive fuels intensifies, lines may find clients will demand a more transparent approach.

Increasing transparency through using independent data sources would help the parties to make informed decisions and reflect the fact that, for a shipper, the shipping line is a vital supplier, with which a long-term relationship will contribute to maximising long-term supply chain efficiency.

The key to achieving such long-term relationships could be the development of well-defined measurement, through indices that cover demand, supply, utilisation, costs and revenues, accompanied by interpretation of possible future impacts for the industry.

As exemplified in this article, this is certainly achievable.

There is a clear need for closer monitoring of the container shipping market in a post-Covid-19 world and for the role and functioning of the CBER to be addressed, particularly the quality of data and information available to guide decision-making.

MDS Transmodal is partnering with the Global Shippers' Forum to launch a new quarterly report focusing on the features important to shippers and cargo owners as customers of the lines.

The quarterly reports will also provide pointers to help the European Commission create a clearer policy framework for the shipping industry. Europe's exporters and importers need a competitive and responsive shipping market, which is in the continent's wider economic and public interest.

The historical debate about container shipping has dwelt mainly on its status under competition law — and with good reason.

However, all stakeholders in future will need to respond to the additional, multiple challenges now confronting all stakeholders, including climate change objectives; the economic interests of the EU; contingency plans against future global economic shocks; and the quality and competitiveness of shipping services offered to European exporters and importers.

There are three years before the next scheduled review of the CBER. This should be conducted with the assistance of better-quality data and being better informed about the regulation's costs and benefits to all parties.

It should be undertaken in the wider context of European transport and industrial policy, as well as the very different forces now shaping global trade and environmental priorities.

Antonella Teodoro is a senior analyst at MDS Transmodal

Why sector's real leaders do not join coalitions

The real leaders in shipping are not those with the loudest voices or the strongest balance sheets. They are the mavericks and non-conformists who are looking for competitive advantage

Alexey/Seafarer/Shutterstock.com

Covid-19 has exposed the flaws in some leaders' empathy, both in sea and shore operations.

More than three out of every four maritime executives think former seafarers do not make the best leaders in maritime, according to a survey shared by Faststream Recruitment chief executive Mark Charman during Danish Maritime Days.

There are several reasons for this, he said. Leadership on board ship is hierarchical. Safety at sea is paramount, so systems and procedures have been developed to manage risk. Good leadership is critical to safety of the ship, its crew, its cargo and the environment.

In business, leadership is collaborative. Leaders must be problem-solvers and creative thinkers.

And there's more. Leaders on board ship are operational; in business, they are strategic and commercial. In Mr Charman's words, on ships, leaders tell; in the office, leaders sell.

Ships are still male-dominated; offices are multi-gender. Further, there is the complexity of managing new generations who, not unreasonably, demand leadership that supports their aspirations.

Senior seafarers coming ashore often fail to make the transition from 'doing' to 'leading', Mr Charman added. "The problem is a lack of commerciality. Businesses exist to make a profit. However, seafarers do not have profit-leadership experience."

In addition, added Helm Recruitment chief executive Stine Martinussen, business leaders need to be empathetic, with good communications skills and an ability to adapt to changing situations.

Shipping is, of course, not limited to sea and shore. Leadership is also expected from our regulators, who are focusing on the environment in which ships operate. Whether this is appropriate is debatable.

In the past, shipping companies run by former seafarers embraced the look and feel of the ship. Today, all companies have learned to attract a range of skills and talents, both from within the industry and from beyond its boundaries.

This has far-reaching consequences.

Firstly, if leadership on board ship has different requirements from leadership in a ship-operating office, then it is likely there will be differences between leadership of the ship and company and leadership of an entire transportation sector.

The International Maritime Organization was not set up to be the voice or conscience of an industry — nor should it be so.

Similarly, in recent months, there have been strong initiatives backed by bankers (Poseidon Principles), charterers (Sea Cargo Charter) and "decision-makers from across the shipping value chain" (Getting to Zero Coalition).

These initiatives are all worthy and well-argued, but their success is the result of a lack of leadership in shipping. All three focus on sustainability, one element of shipping's future evolution.

The shipping industry has no leader, no leadership council, no leadership agenda. Some voices speak louder than others and some groupings are more powerful than others.

Yet at its heart, shipping has always been fragmented. Leading the industry is like herding cats. Individual companies are fiercely independent, which is why they survive for many decades.

Leadership of the shipping industry must recognise this as a strength, rather than a weakness.

The real breakthroughs in sustainable shipping will come from the maverick, the non-conformist and the outsider — not from a coalition of the great and the good.

If former seafarers are not the best leaders of their industry, cat-herders have no chance.

Lloyd's List

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*Industry = maritime, offshore energy and logistics

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