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Shipping added to new UK emissions targets



THE UK IS to include international shipping in its new national emissions reductions targets.

The inclusion of international shipping and international aviation in the country's sixth Carbon Budget, which covers the amount of greenhouse gases the country can emit between 2033 to 2037, is expected to be legislated by the end of June.

The commitment is part of a firming up of the country's environmental commitments that will see the government pledge to reduce national greenhouse gas emissions by at 78% compared with 2035.

"We want to continue to raise the bar on tackling climate change, and that's why we're setting the most ambitious target to cut emissions in the world," said Prime Minister Boris Johnson.

"The UK will be home to pioneering businesses, new technologies and green innovation as we make progress to net-zero emissions, laying the foundations for decades of economic growth in a way that creates thousands of jobs."

This upgrade follows a pledge by Mr Johnson at the end of 2020 to reduce UK emissions by 68% by 2030. In 2019, the UK passed a law committing to net-zero emissions by 2050.

The newfound 2035 commitment adheres to the recommendations drawn up by the Committee on Climate Change, an independent advisory body to the UK government.

It recommended that the UK's carbon budget from 2033 to 2037 be set at 965m tonnes of CO2 equivalent, which is about 63% lower than 2019 emissions.

The new pledge also comes during a week when the US is hosting a leaders' climate summit and where the US is also expected to announce new emissions initiatives.

The legal inclusion of international shipping in the sixth Carbon Budget means that the UK government will have to work to develop policies, measures and schemes that will ensure that ships using the country's ports generate fewer emissions.

The government has previously said it will consider including shipping in a post-Brexit emissions trading system.

The Committee on Climate Change had reported in December that total shipping emissions accounted for 3% of UK greenhouse gas emissions in 2018 and were 21% below 1990 levels.

International emissions

International shipping emissions accounted for just over 55% of the total 14.3m tonnes emitted by the whole sector.

"Emissions have been on a slow downward trend over the past two decades, with the past decade

seeing reductions in domestic journeys around the UK coast and in international export shipping, plus falls in naval shipping," the committee said.

The UK estimates shipping emissions based on the level of maritime fuel bunker sales.

This calculation method differs from the one the EU and the International Maritime Organization rely on, which is based on direct emissions reporting from shipowners.

The Committee on Climate Change recommended that the UK's domestic and international shipping emissions could be reduced through fleet efficiency improvements, electrification especially in ports through greater shore power offering and finally through the deployment of zero-carbon fuels.

Brussels-based NGO Transport & Environment congratulated the UK government for its upcoming law.

"Properly accounting for the emissions is essential, but we now need meaningful action to control greenhouse gas releases and prevent future emissions rising above pre-pandemic levels," its UK policy director Matt Finch said. "In the process the UK can become a world leader of zero-emission fuels for planes and ships."

WHAT TO WATCH

Cyprus launches debate on long-term maritime strategy

CYPRUS has launched an open consultation exercise with the aim of forging a long-term strategic vision for its shipping industry.

Its Shipping Deputy Ministry is inviting proposals, feedback and opinion from a wide range of interested parties on key topics during three separate two-week windows.

The target is to present the strategy document during the biennial Maritime Cyprus event in Limassol in October.

Deputy minister Vassilios Demetriades said the consultation initiative is aimed as much at "changing the mindset" as to delineate "a direction as a maritime nation".

"If it was just to write a strategy document we could have appointed a consultant, or I could have done it with colleagues over the weekend," he told Lloyd's List. "We want to proactively drive progress, not just for Cyprus but at a global level.

"We not only have to make Cyprus shipping stronger. We are interested in how Cyprus shipping can contribute to a concrete change for global shipping. When we say shipping is global we have to prove it as well. Do we remember it is global when it comes to commitments?"

Cyprus had its own maritime tradition and expertise. "We are proud of our experience, but we don't know everything," Mr Demetriades said. "You have to learn to listen."

The Shipping Deputy Ministry has opened a new internet portal to gather as many outside views and comments as possible.

While anyone can contribute, the deputy ministry has actively reached out to a wide range of entities to canvass feedback.

These include shipowners and managers, classification societies, other national registries, equipment and engine manufacturers, non-governmental organisations, and numerous associations and official bodies ranging from the EU to the International Transport Workers' Federation and the International Chamber of Shipping.

“We want to know what the expectations of Cyprus are among associations like the ITF and ICS. We want to hear from NGOs and how they expect Cyprus to contribute,” said Mr Demetriades.

The process will proceed throughout April and May, led off by seeking input on environmental sustainability.

Green transformation

Opinion is invited as to how Cyprus can contribute further to the green transformation of shipping and how can the industry effectively balance a “meaningful contribution” to reducing climate change and on the other hand maintain its competitiveness.

Cyprus has said it is committed to a balanced approach and “safeguarding competitiveness”.

Other specific questions relate to digitalisation's role in decarbonising the industry, the impact if the Mediterranean is declared an emission control area and ensuring more ethical and greener ship recycling.

However, visitors are encouraged “to share any thoughts on efforts to realise a more sustainable future for maritime transport”.

The campaign will continue with questionnaires focused on digital transformation, followed by what the Shipping Deputy Ministry has branded “persistent challenges”, such as seafarers' issues including crew changes and vaccination, and piracy and armed robbery targeting ships.

At the same time the exercise will welcome input on issues of high regional and local interest, including coastal navigation, pollution and maritime education.

Following the period for outside input, there will be a great deal of “brainstorming” before the policy document is finalised.

Cyprus has branded the exercise “SEA”, standing for sustainable, extrovert and adaptable.

“I strongly believe that any outcome will reflect these three elements,” said Mr Demetriades. “Sustainability is key, but we also have to be more outgoing in shipping and work together.”

He said there was “a tremendous opportunity” to publicly highlight the industry's importance in light of the pandemic but also because of the recent Ever Given incident that choked international maritime traffic through blocking the Suez Canal.

The industry also needed to go beyond political messaging that, while important, did not automatically lead to solutions.

Effective coordination between countries was necessary to achieve results in matters such as getting coronavirus vaccines to seafarers, he said.

“We are opening our doors. There is a clear need to come up with a basket of measures — regulatory and non-regulatory. I am sure that the Cyprus shipping cluster will have more to offer global shipping at the end of this.”

Mr Demetriades, who reports directly to the president of Cyprus, acknowledged that it is still uncertain whether this year's Maritime Cyprus will proceed because of coronavirus concerns.

While Cyprus has been able to ease lockdown restrictions in most respects, a decision on whether to proceed with the event will be taken “by mid-July”, said Mr Demetriades.

If the country's major shipping event cannot proceed, then a smaller event will be organised specifically to present the new strategy for the industry.

ANALYSIS

Skilled crews are key to shipping's decarbonisation aims, says Synergy chief

MEETING ambitious decarbonisation targets is a daunting task for the shipping industry especially as the agenda still remains uncoordinated.

Shipmanagers should form partnerships with owners in a collective decarbonisation endeavour, according to Synergy Group chief executive Rajesh Unni, who agrees that the biggest challenges will be in collaboration and crew training.

“Action right now is critical, and as shipmanagers we are at the very heart of the transition, touching all aspects — technological, operational and human,” he told Lloyd’s List in the sidelines of Singapore Maritime Week. “We must, and do, create confidence among owners in our ability to transition to new fuels.”

Transforming the maritime industry by embracing new technologies, making improvements, and creating opportunities is central to the International Maritime Organization’s 2030 ambitions.

Mr Unni believes digital technologies, if properly used, could help reduce global carbon emissions by up to 15%. “Increasing operational efficiency will play a substantial role in achieving our industry’s long-term, zero-carbon objective.”

Synergy is looking at the IMO’s Energy Efficiency Existing Ship Index and Carbon Intensity Indicator which represents the next step in the IMO’s greenhouse gas strategy.

“The age of some of the existing tonnage means that in many cases vessels may struggle to meet the required criteria, so we are exploring with

Red tape holding back evolution of supply chain

DIGITALISATION of the global supply chain has accelerated, encouraged by an uptick in e-commerce amid the global pandemic.

But the maritime and trade sectors are still far behind in harmonising standards, which helps cut red tape, and this is holding back cargo flow from matching the internet age demand for instant gratification.

classification societies, owners and other stakeholders how we can best help the older vessels comply with these requirements, in time for the rules coming into force.”

He sees decarbonisation as a joint responsibility and said that shipmanagers have been “investing a lot of resources to lead this transformation within shipping, and the coronavirus backdrop has seen an explosion of interest in digital adoption in vessel operations”.

A second concern is that crews need to be trained to handle the new fuels in a safe and efficient way.

Mr Unni agrees that the industry will be reliant on skilled crew to safely manage these emerging fuels and technologies, in the near, mid-term and also far future. It is important that crew members are part of this conversation from the start, he said.

“Connecting the right people and processes is going to be fundamental to our industry, and upskilled crew operating in a safety-first immediate atmosphere and overall culture will be critical,” he said. “Certainly, this is on the increase, and it needs to develop further.”

The ships of the future will be powered by a wide variety of fuels, and he sees a significant change in maritime training on the near horizon.

He feels that contextual training must start now. “Eventually, of course, it will be all about safe and effective use of alternative fuels, but right now there is a lot we can do to cut emissions.”

Citing a McKinsey study, Kuehne + Nagel Asia Pacific president Jens Drewes said the US has experienced 10 years of e-commerce growth in only three months at the peak of the pandemic.

On the other side of the equation, the study found that digitalisation of the supply chain has advanced by just three or four years.

The shipping community, which covers more than 90% of world trade, has certainly worked on raising the bar to boost real-time visibility and transparency over cargo flows.

A typical sea freight transportation, as Mr Drewes highlighted, would have involved 18 touch points.

Such complexity in the shipping value chain may well hold back the synchronisation in documentation that is needed to boost transparency.

Against this backdrop, Singapore and Rotterdam have unveiled a significant update to a joint initiative pushing for interoperability in electronic documentation of trade flow between the key two transshipment hubs in east-west trade.

Ocean Network Express, the leading container shipping line, delivered a live shipment shadowed by an electronic bill of lading from Vietnam via Singapore to Rotterdam in January.

The shipper and the consignee used two different platforms — #dltedgers from Singapore and NaviPorta from BlockLab, a subsidiary of the Port of Rotterdam Authority — to issue the bills.

This transaction passed an interoperability test affirming that electronic bill of lading issued by one

platform can be verified and processed by the other.

The legal transfer of the cargo was backed by Singapore's TradeTrust digital utility, which is built on open standards complying with the UNCITRAL Model Law on Electronic Transferable Records.

Singapore and Rotterdam also signed an agreement last year to develop and promote open and common data standards for the maritime supply chain, under an initiative dubbed digitalOCEANS.

The Digital Container Shipping Association, comprising nine of the world's top 10 carriers accounting for about 70% of the world's box trade, was unveiled as the newest private sector player backing the initiative.

The association supports a call by Singapore to develop and pilot electronic bill of lading solutions yielding manpower savings and lowering risks of fraud.

Singapore is also set to launch a separate call for proposal for industry partners to come forward to help digitalise purchase and delivery of marine fuels at the world's busiest bunkering port.

This will include developing the use of an electronic bunker delivery note.

Ports can play a vital role in decarbonisation

PORTS can play a pivotal role in the decarbonisation of shipping by using their position in the industrial and energy supply chains to encourage the transition to green energy.

"Ports are a perfect nucleus to start the energy transition," Hamburg Port Authority chairman Jens Meier told a Capital Link webinar. "We have to keep in mind that ports are the knots that tie the supply chains and energy grids together."

Not only would this be a "win-win" result for economies, but it was also a requirement if city ports such as Hamburg wanted to maintain their "social licence" to operate.

"I believe that as port authorities we should put in place some real examples using these technologies," said Mr Meier.

Hamburg is one of the largest contiguous industrial areas in Germany and has a goal of becoming climate neutral by 2040.

"Our smart port strategy included logistics and energy pillars," said Mr Meier. "In logistics we want to get rid of the old forms of energy consumption and move to renewables."

"We want to get rid of unnecessary steps in the supply chain, such as having empty trucks in the port, and getting to the point where transport has as little pollution as possible."

Decarbonising shipping would be difficult but should not be seen as any more difficult than for other industries, said Port of Rotterdam chief executive Allard Castelein.

Rotterdam's industrial cluster already accounts for 16% of the Netherlands' emissions from large energy and chemicals producers.

"I do not think shipping's challenge is any harder than theirs," he said. "We believe we can make a difference. The disruption associated with the energy transition should deliver opportunities rather than threats."

That hypothesis is built on the port's experience gained from embracing liquefied natural gas as a bunker fuel, but how energy transition evolves remains uncertain, he said.

"We've decided not to aim for a single solution but to embrace several innovations that may be associated. It may be hydrogen, carbon capture and storage or ammonia. There are many opportunities."

But there would be no one "silver bullet" solution, added Mr Castelein.

"We are in an era where various alternatives will emerge and some will emerge that we didn't think of some years ago," he said. "I am astounded by the exponential growth of hydrogen initiatives."

There would be a period where combustion engine technology would be replaced by several other competing technologies, any one of which could end up becoming dominant.

"You need to set the prerequisites right for technology to flourish and then enable the facilities that are necessary along that supply chain," he said.

"My simplest advice would be not to invent the wheel yourself. There is a huge array of solutions being offered.

"It may look daunting but if you start taking small steps you will get there. There is no one big leap that will solve it."

Nevertheless, proper regulation on a regional or global basis, similar to that imposed on SOx emissions, would be necessary to help ports develop carbon-neutral solutions.

"It needs to have a level playing field to avoid the waterbed effect that moves volumes away," he said. "This will create demand and if you created demand there will be supply."

Mr Meier sees hydrogen as "the next logical step" but has also called for a better regulatory framework.

"We want to be successful in the big change coming from the new forms of fuels, but we would like to see some regulation for the scale up phases from the EU to support that," he added.

MARKETS

Data shows five clubs lost tonnage at renewal round

FIVE of the 13 members of the International Group saw a decline in owned entered tonnage at this year's renewal round, despite the added release call costs of changing P&I club, according to analysis produced by Marsh JLT Specialty.

The situation comes in contrast to previous years, which sometimes saw all clubs claim at least small gains in what is essentially a zero-sum game, the broker's head of P&I marine and cargo Mark Cracknell said.

Mr Cracknell — a sometimes-outspoken critic of the P&I sector — noted that while this is mathematically possible given the annual increments to the size of the market, IG affiliates appear to be in a subdued mood at present.

"Organic year-on-year growth on the back of a surging world fleet would explain many cases, but the overall tone of nearly half of the commentary published by the clubs this year was less upbeat than

in previous years, raising the possibility that the market is now, or will soon be, bifurcated," he said.

Gard appears to be pulling away from the pack, with mutual entered tonnage hitting an all-time high of 246m gt, far ahead of second-placed North on 158m gt.

The big hitters from Norway reported a renewal rate of 99.4% and picked up an additional 17m gt over the 12 months to February 20.

Mr Cracknell singled out Gard as what he called a market powerhouse, citing its considerable financial and physical resources

Britannia added 2.6m gt during the 2020 policy year, and twice as much again at the renewal itself. Skuld topped 100m gt in owned tonnage at the renewal, an increase of 5.5%. Steamship Mutual added 5.8m gt, taking owned entered tonnage above 96m gt.

Among the smaller clubs, Swedish Club recorded a 10%-plus increase in owned entered tonnage, reaching 56m gt.

But there were also losers in the process, including the Japan Club, North, Standard, UK Club and West.

The first four of these all publicly declared their intent to secure prioritise additional premium revenue above new business gains, and their readiness to part company with owners if the right deal could not be reached. West attributed its reduction in tonnage to derisking.

First new handysize FFA trades completed

SHIPBROKER Simpson Spence Young Futures said it has completed the first new handysize forward freight agreement contracts based on a 38,000 dwt vessel, which launched on Monday.

The trades were carried out on the Singapore Exchange and the European Energy Exchange for the April and May contracts, SSY said in a statement.

“It was extremely encouraging to see the opening days interest culminating in the April trade at \$19,000 and the May trades at \$20,500,” said SSY Futures FFA team head Mark Douglas.

“The ever-growing liquidity down the curve is extremely promising and we look forward to helping the handy 7TC (time charter based on seven routes) become an established product that can be utilised by all.”

Mr Douglas said three trades were completed on Monday, totalling 35 lots, with a further 90 concluded on Tuesday. While the numbers look small, it compares with zero trades on the old contract last year.

“The curve is gaining liquidity from a number of clients that already have exposure to the larger sizes,

as well as several new counterparties,” added Mr Douglas.

The handysize futures market was previously based on the Baltic Exchange’s old 28,000 dwt benchmark.

While the London-based exchange, which is owned by SGX, launched its physical benchmarks for the 38,000 dwt handysize vessels in March 2018, there were no paper trades last year because the derivatives were neither brokered nor being cleared, SSY said.

“The SSY Futures team has worked hard to promote the new FFA HS38 contract, as we strongly believe in the benefit of a risk mitigation tool specifically designed for this popular vessel size,” said SSY chairman Mark Richardson.

“We are delighted to announce that we have brokered trades in the new contract on its launch date and are hopeful that this early success will be part of a sustained growth in FFA trading in the handysize sector and add to the competitiveness of trade in this most important vessel.”

Earlier this year, both SGX and EEX said they would be launching the new offering from April amid growing demand.

IN OTHER NEWS

Suez Canal releases two Ever Given seafarers

TWO members of the crew of *Ever Given* (IMO: 9811000), the boxship whose grounding caused a six-day shutdown of the Suez Canal last month, have been allowed to leave the arrested ship by way of a humanitarian gesture, according to the Suez Canal Authority website.

The move – which follows a request from the owner, Japan’s

Shohei Kisen Kaisha – leaves 23 seafarers still on board the vessel.

All of the seafarers are understood to be Indian nationals.

Norden’s bulker asset plays pay off

NORDEN, a Danish shipowner and operator, said it has carried out several asset trades in recent weeks to capitalise on market opportunities.

It sold the handysize tankers *Nord Bell* (IMO: 9309980) and *Nord Hummock* (IMO: 9352195), and has bought three kamsarmax bulk carriers, which will be delivered this quarter, it said in a statement without elaborating.

It has also entered an agreement to lease seven dry cargo vessels with period and purchase options, it said, adding that the trades have been in line with its strategy to shift away from

tankers and focus on the dry cargo market.

Capital Product agrees to sell neo-panamax pair for \$195m

A SCORCHING containership market that has pushed vessel prices higher appears to have tempted Capital Product Partners into selling two neo-panamax ships for \$195m to an unidentified buyer.

Industry sources said the buyer is Mediterranean Shipping Co, which has been steadily acquiring vessels in recent months on top of having a huge newbuilding order book.

The vessels are the 9,288 teu eco-flex wide beam pair *CMA CGM Magdalena* (IMO: 9724049) and *Adonis* (IMO: 9706310), which were built by Daewoo-Mangalia Heavy Industries in Romania in 2015 and 2016, respectively.

Standard Chartered signs up to Poseidon Principles

STANDARD Chartered has joined the Poseidon Principles initiative that aims to align lenders' shipping portfolios to climate goals.

The announcement was made by Abhishek Pandey, the bank's global head of shipping, during a marine money forum for Singapore Maritime Week.

"As a bank that specialises in financing world commerce and enabling global trade, signing up to Poseidon Principles is therefore an important addition to our already existing efforts to reduce our financed emissions," said Mr Pandey.

US says Russian threat to block Black Sea is escalation

THE US has expressed "deep concern" over Russia's plans to

block "foreign naval ships and state vessels" in parts of the Black Sea, including near Crimea and the Kerch Strait.

Russia has a history of taking "aggressive actions" against Ukrainian vessels and "impeding access" to Ukraine's ports in the Sea of Azov, impacting Ukraine's international commerce, State Department spokesman Ned Price.

"This represents yet another unprovoked escalation in Moscow's ongoing campaign to undermine and destabilise Ukraine," he said. "This development is particularly troubling amid credible reports of Russian troop build-up in occupied Crimea and around Ukraine's borders, now at levels not seen since Russia's invasion in 2014."

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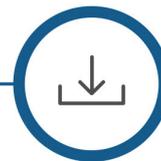
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