

Lloyd's List



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The editor's letter

LINTON NIGHTINGALE

Common sense prevails

As the coronavirus pandemic hits home, carriers finally manage to remedy the age-old issue of surplus capacity

All too often, I have been accused of focusing on the negatives or highlighting the failings of our industry in my monthly column.

So for regular readers, this will be a welcome change in tone — particularly given the current plight in which we have all found ourselves at the hands of the ongoing health crisis.

This month, I wanted to take the time to applaud the container shipping lines for finally — it seems — getting their act together.

One could be forgiven for fearing the worst for the liner industry as the true extent of the coronavirus pandemic began to hit home earlier this year.

The potential full-year losses forecast by industry commentators and analysts alike were alarming to say the least; while shipping's track record has also not been great in times of crisis, when you consider the way it fared in the fallout of the global financial crash a decade ago.

However, there are signs that the issue of surplus capacity — a problem that has plagued container shipping for years and is synonymous with the industry at large — is finally being remedied.

Too much to bear

The extent of excessive ordering and associated price wars was too much to bear, even for industry stalwart Hanjin — the most high-profile in a long list of carriers to exit the field in the past few years.

While the South Korean line disappeared altogether, others were forced to merge or be bought out by the larger carriers to ensure they did not encounter a similar fate.

For those that remained, addressing

the prolonged supply/demand imbalance has been essential.

And, to their credit, carriers have since refrained from the reckless 'gung-ho' approach to vessel ordering of years gone by.

One could ask why this was not done earlier, when it seemed an obvious course of action — even to those less versed with container shipping's dynamics.

The more cynical among you may point to how this was the plan all along among larger carriers, who were playing the long game, safe in the knowledge that numerous small to medium-sized operators would struggle to contain losses and ride out the storm.

They would be there to pick up the pieces once the dust had settled and march on, unceremoniously.

Whether there is any truth in this theory is highly debatable. Either way, common sense — finally — has prevailed.

Capacity management

However, the slowdown in newbuilding activity that has helped the industry during widespread lockdowns has also been accompanied by astute capacity management, including blanked sailings and the suspension of services.

Such measures have ensured that freight rates have not only been sustained at their pre-pandemic levels but even risen to levels above those of last year.

To the surprise of many, some carriers, including Maersk and Zim — among the first to publish financial results for the second quarter — have managed to post significant improvements in their earnings, when many predicted them to crash and burn.

Let's just hope it lasts.

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RICHARD MEADE
Managing editor

Time to ensure shipping is not out of sight, out of mind

Shipping has kept everything moving while the rest of the world was stopped in its tracks. It is more essential than ever that shipping's stories are told to the global audience

When the world came to a standstill, the shipping industry carried on. Planes were grounded, trucks stopped moving, economies were shuttered — and yet the food, medicine, PPE, energy and just about everything else that keeps the world going was delivered, thanks to shipping's resilience and reliability.

That story barely registered in the mainstream media.

The seafarers that should have been recognised as essential workers and revered as heroes for keeping the world moving were ignored by governments, creating a hidden humanitarian crisis at sea.

That situation continues to get worse, not better — and few journalists beyond the maritime press are asking questions. Yet the industry has continued to adapt, collaborate and innovate in response and kept the global economy from collapse as a result.

Shipping had a serious image problem long before the economic tsunami of coronavirus, but it has exposed the lack of agency within the industry to leverage its role as the backbone of the global economy.

Too often, shipping remains out of sight, out of mind — and while we impotently bemoan this sea blindness internally, few of us are prepared to stick our heads above the parapet and speak out.

Shipping has positive stories to tell. It is now more essential than ever that we tell those stories.

The adaptability and sheer determination of companies and seafarers to keep the world moving is a theme that has run through Lloyd's List's reporting this year, which is why we are using the Lloyd's List Awards to create a platform for those stories to be told.

We have set aside the traditional awards portfolio for 2020 to recognise the exceptional circumstances in which the maritime industry has found itself as a result of the pandemic.

A revised list of categories and criteria has been created to acknowledge not only high standards in maritime, but also the resilience and innovation shown by the industry in the face of unprecedented adversity.

These are challenging times, but there are positives to take from this global shock.

The Lloyd's List Awards are an opportunity to showcase those advances and start to raise the profile of shipping as the world's essential industry.

The awards themselves, of course, will also adapt to the circumstances in which we find ourselves.

Due to the impact of the coronavirus pandemic and the likelihood many winners and sponsors may not be able to attend the ceremony in London in December, we have created a unique, week-long programme to recognise shipping's resilience and innovation in 2020, culminating in a networking dinner.

Announcing the winners

Lloyd's List will announce winners during the week, through a multi-platform content programme comprising articles, podcasts, discussions with judges, "fireside" chats with senior executives to explore their wins and interviews with sponsors.

The programme of content will culminate in a socially distanced networking dinner at the Royal Lancaster Hotel in London on December 8. It will provide a safe and enjoyable evening for those who can travel, to network with peers and celebrate the end of the most difficult and disruptive year most of us have ever encountered.

The shipping industry is crying out for genuine leaders, innovators and stories to guide the way through a period of seismic change.

The Lloyd's List Awards are more necessary than ever, precisely because they reward successful endeavour in the face of seemingly intractable problems.

So we urge you to wear your laurels with pride. Modesty is falsely applied in a world casting about for answers to tough questions and shipping needs you to showcase your story.

Enter the Lloyd's List Awards today and show the way forward.

Details about the specially adapted categories and the international panel of industry judges who will be deciding the winners this year can be found at: lloydslist.com/awards

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RICHARD CLAYTON
Chief correspondent

“
Lockdown is psychologically and economically difficult, and there are many consequences. There is a decision to be made about the balance between stopping the virus and the harm that decision makes to people's lives
”

Only a vaccine holds the key to maritime's virtual lockdown

Senior medical professionals say work to find a vaccine for Covid-19 will not be successful until early 2021. Widespread vaccination might not be completed until the end of next year

Shipping thrives on its networking — physically meeting, greeting and catching up. So when shall we meet again?

The coronavirus pandemic wiped out this year's programme of conferences and exhibitions. Instead, we became energised by the online, virtual replacements.

Now, after less than six months, the shortcomings of Zoom and Webex and their cousins have become apparent.

We learn best interactively; staring at a screen for hours on end is no way to grow.

So what are the prospects for 2021? Will we be able to settle down to the normal conference schedule next spring?

The scientists are cautious. They tell us that despite unprecedented international collaboration between pharmaceutical companies, universities and scientific institutions, a vaccine to counter the coronavirus crisis is unlikely to be widely available until late 2021.

Professor Luke O'Neill, an immunologist at Trinity College Dublin and chair of the immunity and infection panel at the European Research Council, said a vaccination programme is the only solution to the pandemic.

There are currently more than 170 vaccines under development, four of which are out ahead.

"We can't directly answer the question 'when will we get a vaccine?'," he told a Marine Insurer webinar.

"If we are lucky and everything goes to plan, we are talking about the first quarter of next year."

Frontline health workers, the old and vulnerable will be the first to be vaccinated.

"These vaccinations will take three to six months," said Prof O'Neill.

"If all goes well, there will be widespread use of the vaccine by the end of next year."

Asked about a second wave of the virus, Alanna Shaikh, principal consultant at Tomorrow Global, a policy research and institutional strategy firm, said it is more likely there will be a series of waves, rather than a specific second wave.

She believes there will be a "cycle of tightening up, seeing the virus slow, loosening restrictions and watching the virus circulate again".

Slow the spread

Ms Shaikh said lockdowns would never end the pandemic. "They can only slow the spread of the virus."

She said there has been more data gathered about this virus than any other disease — so much so that medics are using artificial intelligence to analyse it.

"Lockdown is psychologically and economically difficult and there are many consequences.

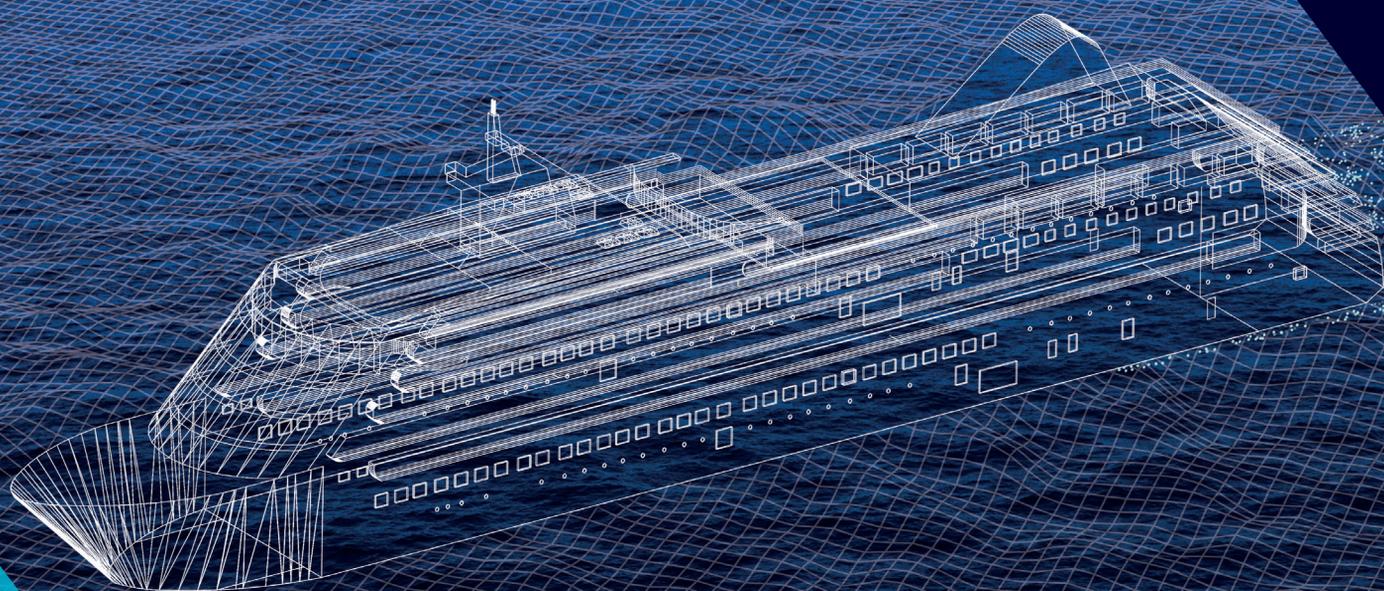
"On the other hand, it's what stops the virus. There is a decision to be made about the balance between stopping the virus and the harm that decision makes to people's lives."

Prof O'Neill agreed. "This virus won't go away. There will be vaccinations for the next 10 or 20 years."

Assuming that conferences will not be allowed to reconvene until it is safe to do so — which is not until the disease is under control — and assuming the pandemic will not be under control until there is widespread vaccination, shipping is unlikely to meet again until 2022.

In the meantime, watch out for the evolution of the digital conference. There is still a way to go.

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Lloyd's List Awards 2020:

This year, Lloyd's List has set aside its regional awards portfolio in order to recognise the exceptional circumstances the maritime industry has faced as a result of the global coronavirus pandemic.

Our 2020 awards will recognise not only excellence in maritime, but also the resilience and innovation shown by the industry, with a revised set of categories unique for 2020.

The Lloyd's List Awards 2020 are open to all regions and winners will be announced at the start of December, culminating in a socially distanced networking dinner at the Royal Lancaster Hotel, London, on December 8.

This will provide a safe and enjoyable evening for those who can travel, to network with peers and celebrate the end of the most difficult and disruptive year most of us have ever encountered.

For more information, visit:
lloydslist.com/awards



> Revised categories

> Company of the Year

Americas, Asia Pacific, Europe and SAMEA (South Asia, Middle East and Africa)

new for 2020

> Entrepreneur of the Year

Americas, Asia Pacific, Europe and SAMEA (South Asia, Middle East and Africa)

> Environmental Management

> Freight Forwarder

Top tips for entering the awards:

1. Check your entry meets the criteria

You'd be surprised how many entries get rejected due to a simple mistake such as being in the wrong category or year.

The judges will check your entry against the criteria. You should too.

2. Stick to the word limit

No-one wants to wade through an overblown entry full of frothy platitudes on why your entry is the absolute best.

The limit is 500 words. Stick to it.

3. Provide online supplemental information

Our judges do a surprising amount of research into the shortlisted entries.

Make their job easy by including links to online videos, webinars or articles that support your entry.

innovation and resilience

Topics for 2020

- > Maritime Law
- > Port Management & Infrastructure
- > Safety & Training
- > Technology & Innovation
- *new for 2020**
- > Provision of Seafarer Wellbeing
- > Individual Achievement

Lloyd's List Digital Forums



Due to the ongoing Covid-19 situation, Lloyd's List has transitioned its suite of industry forums into a digital format for the rest of 2020.

Lloyd's List Digital Forums offer a unique mix of live event engagement with leading industry thinkers and influencers, coupled with access to Lloyd's List Intelligence data insights, exclusive pre-recorded interviews and topical reports authored by Lloyd's List subject matter specialists.

Shipbuilding & Recycling Digital Forum September 29 & 30

'How to build and recycle a more sustainable shipping industry'

Asia Pacific Outlook Digital Forum October 15

'Maritime trade in transition: Shipping's growth engine after Covid-19'

Posidonia Week Digital Forum October 26

'Financial, leadership and human resources challenges for shipping in a pandemic and beyond'

2021 Shipping Outlook Digital Forum December 1

'How to navigate the uncertainty of shipping's new normal'

To find out more, visit:
lloydslist.com/forums

4. Enter more than one category

There is no limit to the number of categories you can enter.

A single project, deal or technology solution could work for a number of categories.

5. Set free your inner journalist

Reporters at media school have 'what, where, when and how' drummed into them from day one.

What is the entry about? Where did it take place? When did it happen? How did it come about?

6. Hit the deadline

Late entries don't count. No-one wants that. After all, you can't win if your entry doesn't count.

Future fuels



A special report

Familiar challenges on shipping's road to decarbonisation



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The broader willingness to finance projects that carry the risks that come with first-movers has not shown itself to be promising.

A broader mobilisation towards a lower-carbon future will require political backing — and that means stronger decarbonisation commitments in the near future, **Anastassios Adamopoulos** reports

Every chance it gets, shipping likes to remind the world of its accolades: the undisputed engine of global trade; the most efficient mode of transport; and, most recently, its own global accord to reduce emissions over the next 30 years.

For more than two years now, the more active players in the industry have shown that they are heeding calls for the decarbonisation of the sector and are mobilising with competitors, new partners and outsiders to plan on how to meet the self-imposed goals.

However, if shipping wants to materially decrease its emissions across the board and not just the cream of the crop, it will need greater political support and deeper collaboration with its customers and other partners.

The dust has far from settled and it is too early to assess the impact of the coronavirus pandemic on shipping's decarbonisation course.

Thus far, however, the momentum does not seem to have been derailed.

In fact, the sheer number of voluntary industry initiatives that have been born this year indicate that decarbonisation is

now an entrenched strategic goal — at least for some of the biggest shapers in the business.

Many of these new collaboration projects and initiatives that have been launched in 2020 target the next phase of decarbonisation: the development of zero-carbon fuels and technologies.

Maersk, one of the most visible movers in this direction, has been involved in at least three new initiatives this year, including a decarbonisation research centre in Copenhagen with partners across industries and its participation in green hydrogen production in Denmark.

Competitor CMA CGM also launched its own decarbonisation initiative in July with 10 other companies, including energy major Total.

What these initiatives have clearly demonstrated is that industry leaders are conscious that maritime cannot go at it alone. Closer ties with the energy sector and with wider customers will need to be forged.

In early August, the Aspen Institute launched a new initiative targeting cargo owners — shipping's customers — as drivers for zero-emission shipping.

Yet the fact the pandemic does not seem to have halted decarbonisation momentum also speaks for all the publicity that high-profile initiatives from large corporations have received.

The industry is still at the very early stages of its move towards greater sustainability.

The collaborations and partnership are still largely at the conceptual and exploratory level, laying the groundwork for action over the next few years.

In addition, the majority of the notoriously fragmented business has yet to move in that direction.

As energy majors like Shell, BP and others pledge to achieve zero emissions by 2050, the products they offer and their transportation policies will need to reflect that ambition as well.

This will be a most welcome development for shipping.

The willingness of these charterers to pay more, however, is contingent on the existence of these low- or zero-carbon services and ships.

And for that to happen, fresh cash will have to be pumped out for these projects.

Banks have demonstrated their disposition towards the IMO targets with the Poseidon Principles, but the broader willingness to finance projects that carry the risks that come with first-movers has not shown itself to be promising.

Targeting efficiency first

The release of the highly anticipated fourth IMO greenhouse gas study at the start of August revealed that shipping is a long way off from meeting its target to reduce GHG emissions by at least 50% by 2050 compared to 2008.

Though its shares of global GHG emissions stood at 2.9%, shipping's total GHG emissions rose by 9.6% to 1.1m tonnes from 2012 to 2018. Methane emissions alone climbed by 150% during that time period.

While the study's data offers invaluable information about the long-term trajectory for domestic and international shipping, the short-term implications are just as important.

As the International Council on Clean Transportation's Bryan Comer observed, the study found that efficiency gains have slowed significantly since 2015.

After several months of postponement due to the coronavirus pandemic, the IMO's decision to hold meetings online for the rest of 2020 offers some clarity on the short-term regulatory timeline.

With the Intersessional meeting scheduled for late September and the



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Energy majors like Shell, BP and others pledge to achieve zero emissions by 2050.

“*Efficiency improvements will be a fixture over the next decade and a useful tool in the battle against emissions, yielding meaningful reductions. Yet they will not solve the fundamental challenge of radically changing shipping's fuel base*”

Marine Environment Protection Committee in November, there could be an initial decision on a short-term GHG measure in 2020.

These are primarily focused on operational and technical efficiency improvements to help ships meet the IMO's target of reducing carbon intensity by at least 40% by 2050 — a goal that many have argued is weak.

Recent reports have suggested member states are closer to an agreement on these measures, offering further reason for optimism.

A decision would be a much-needed victory for shipping, whose focus has to turn to the longer-term challenges around zero-emission fuels and technologies.

Efficiency improvements will be a fixture over the next decade and a useful tool in the battle against emissions, yielding meaningful reductions.

Yet they will not solve the fundamental challenge of radically changing shipping's fuel base.

For a task as demanding and still as financially unappealing as decarbonisation, concrete policy and substantive politics will continue to be the most important enablers of this shift.

So, while efficiency optimisation improves and research and development efforts hopefully accelerate, regulators should concurrently implement policies and requirements that send out a clear signal of what the future should look like.

Political challenge

Attaining greater political significance has proved to be an almost unsolvable puzzle over decades for shipping.

The ongoing crewing crisis is, in some regards, an unfortunate testament to just that perpetual shortcoming.

With decarbonisation, however, shipping has an opportunity to elevate itself in the global arena and secure this elusive backing.

To achieve greater — and more positive — public visibility, political clout and governmental support, it will need to become an exemplary pillar of this most pressing global challenge; that means making a greater collective effort to decarbonise.

Political support will be especially important from the mid-2020s onwards as shipping becomes more directly engaged in commercial research and development

efforts over new fuels and technologies. This help could come in the form of direct financing, state-backed guarantees, facilitation of projects and — perhaps just as importantly — public support, which will offer a level of credibility.

As current efforts to develop potential zero-carbon products showcase, the level of risk associated can prevent traditional financing from stepping in to invest and assist.

While this may seem like another chicken and egg dilemma, where absent support obfuscates sufficient progress across the board, shipping does have an important tool at its disposal, which it can deploy soon.

As the IMO sorts through its short-term measures over the next few years, it has also agreed to revise its decarbonisation strategy in 2023. That is where the opportunity lies.

Governments and organisations must ensure that this strategy is stronger and more ambitious than the current one.

For some in maritime who maintain that the goals are already very ambitious, they will at least need to offer alternatives to higher emissions-reduction targets.

A market-based measure before 2030 to help balance the price differentials between fuel oil and low- or zero-carbon vessels is one example.

Perhaps one of the most important and obvious consequences of the IMO's 2018 decarbonisation strategy was its impact on the industry.

Shipping companies, cargo owners, banks, shipbuilders and others have all accepted these goals — and, in varying degrees, are trying to accommodate them.

A more intense commitment in 2023 would unequivocally reinforce and upgrade the IMO's expectations, encourage greater levels of research and development, motivate shareholders and tell financiers that what they may consider to be perhaps promising but risky ventures are necessary.

Reports like the recent one from Climate Action Tracker, which assessed that shipping's 2050 emissions target is "insufficient" in contributing to the Paris Agreement goals, do not bode well for a business that would like a greater voice on the global stage, more recognition for its efforts and ultimately support for what will be a very expensive endeavour.

A stronger strategy will accelerate the development and uptake of green fuels. A watered-down one risks prolonging the same problems that exist now: ample enthusiasm but inadequate support from those players that matter.

If shipping wants to garner greater political traction, showcasing a collective commitment stronger than the one already made would be a good start.

Limited efforts by the biggest — and fewest — companies in the sector will ultimately be insufficient to stimulate adequate interest and help advance the rest of the sector to where it must be, come 2050.



The number of voluntary industry initiatives that have been born this year indicate decarbonisation is an entrenched strategic goal.

Opponents question LNG's role as bridging fuel for shipping

Progress towards a zero-carbon future for shipping will involve methanol, biofuels, ammonia and hydrogen. LNG's role as a bridging fuel is being challenged, even as shipowners invest in the fuel, **Richard Clayton reports**



Stena

Methanol has successfully fuelled the Baltic Sea ferry *Stena Germanica* for five years.

Liquefied natural gas has long been understood by the shipping industry as a bridging fuel, a low-carbon step on the pathway to a zero-carbon future.

Before the coronavirus pandemic, many vessel operators – especially in the container and cruise sectors – had committed to LNG.

“LNG is the fuel of the future,” Rodolphe Saadé, chief executive of CMA CGM, said in December 2019 after signing an agreement with Total to supply 300,000 tonnes of LNG every year between 2020 and 2030. This would fuel nine newbuilding containerships.

Yet LNG has strong opponents.

In a position paper on shipping's progress on decarbonisation, released in June, analysts at Climate Action Tracker stated that the fuel “is not an option to support the transition to alternative energy sources, notwithstanding a perception in the industry that it is a key bridging fuel”.

The analysts claimed studies had shown that instead of reducing emissions, adopting LNG would actually increase shipping's climate impact when the whole lifecycle of all greenhouse gases is taken into account.

For this reason, Climate Action Tracker rated the 2030 climate targets for shipping as “critically insufficient” and commented that actions currently proposed are “far too weak”.

So what progress has been made

with the zero-carbon synthetic fuels that would get the industry across the International Maritime Organization's regulatory lines in 2030 and 2050?

Methanol has successfully fuelled the Baltic Sea ferry *Stena Germanica* for five years. When produced from renewable sources, methanol offers a pathway towards meeting carbon reduction targets.

The methanol for *Stena Germanica* is supplied by Methanex.

Waterfront Shipping, a wholly owned subsidiary of Methanex, also operates 11 methanol-fuelled tankers.

Stuart McCall, head of business development at Methanex, said the company “continues to uncover innovative technological advances that optimise the performance and efficiency of the fuel”.

However, the lack of wider take-up after five successful years speaks of the industry's uncertainty.

Biofuels are also under trial, with container lines showing interest.

MSC has committed to using 30% biofuel blends; CMA CGM has linked up with Shell to supply second-generation biofuel; and Maersk is working with H&M Group on carbon-neutral transport options involving biofuel.

These trials have used bio-derived feedstocks such as waste frying oil, industrial waste residues and lignocellulosic biomass.

These have proved successful as a drop-in fuel, but the option is expected

to suffer from problems of availability and sustainability.

Before the coronavirus pandemic grounded the world's aeroplanes, airlines were trialling biofuels and would compete with shipping for supplies. Finding sufficient volumes is known to be a major concern.

Meanwhile, a forum run by the Sustainable Shipping Initiative in Madrid last December heard that biofuel generated from crops grown on former Brazilian rainforest could not be considered a sustainable source.

The prospects for hydrogen and ammonia have been addressed by the Hydrogen Council, which was set up in 2017 to increase the visibility of hydrogen solutions in helping to meet climate goals.

In a paper entitled ‘Path to Hydrogen Competitiveness: A Cost Perspective’, published this year, the council concluded there was potential to use hydrogen fuel cells in small regional ferries in the near term.

Hydrogen could serve as a competitive low-carbon alternative to electric ferries before 2030, the paper said, as the latter requires large, expensive batteries and associated charging and infrastructure.

For larger ferries, the low-carbon option would be biodiesel after 2030 because of the high cost, weight and volume of the batteries required for vessels demanding high fuel consumption.

After 2035, the hydrogen fuel-cell ship could become competitive as the cost of fuel cells and hydrogen fuel declines.

It was noted that the competitiveness of hydrogen as an alternative fuel would be highly sensitive to the cost and availability of biodiesel.

However, for deepsea shipping, especially containerships, the Hydrogen Council acknowledged that the most viable low-carbon fuel would be ammonia.

To remain a liquid, ammonia must be kept at -33.6°C (hydrogen must be kept at -252.87°C); and, unlike hydrogen, ammonia can be used directly, although the conversion of hydrogen to ammonia is a well-established and low-cost process.

Testing of ammonia

In June, a partnership of Wärtsilä, Repsol and shipowner Knutsen OAS announced the first long-term, full-scale testing of ammonia as a fuel in a marine four-stroke combustion engine.

The project is scheduled to begin early in 2021 at the Sustainable Energy Catapult Centre's testing facilities in Norway.

It has been underpinned with a grant from the Norwegian Research Council.

Speaking at the launch, Norwegian petroleum and energy minister Tina Bru said the project would provide "important input to the development of regulations for the use of ammonia and other low-carbon fuels".

Egil Hystad, general manager, power systems at Wärtsilä, said he was keen to understand the combustion properties of ammonia as a carbon-free fuel in multi-fuel engines.

"Ammonia storage and supply systems will be designed and developed for maximum personal safety, and in parallel with the Fuel Gas Handling System under development as part of the European Union's ShipFC project."

ShipFC is a five-year demo project where the Eidesvik offshore ship *Viking Energy* will become the world's first zero-emissions supply vessel — with fuel cells powered by ammonia.

In their March 2020 Techno-Economic Assessment of Zero-Carbon Fuels, Lloyd's Register and UMAS (University Maritime Advisory Services) provide estimates of the economic viability, technological

feasibility and community readiness of zero-carbon fuels.

They conclude that different zero-carbon options will be more competitive in different decades.

"There is not one option which is the most competitive from today through to 2050."

Technology readiness

From the perspective of technology readiness, diesel, LNG and methanol are more mature than hydrogen and ammonia, as rules and regulations currently exist and there are vessels already using these fuels.

Moreover, to be widely available, proponents of ammonia and hydrogen must solve the challenges of storage and bunkering infrastructure.

The selection of fuel is just one of the many decisions the industry must make if the 2030 and 2050 targets are to be met.

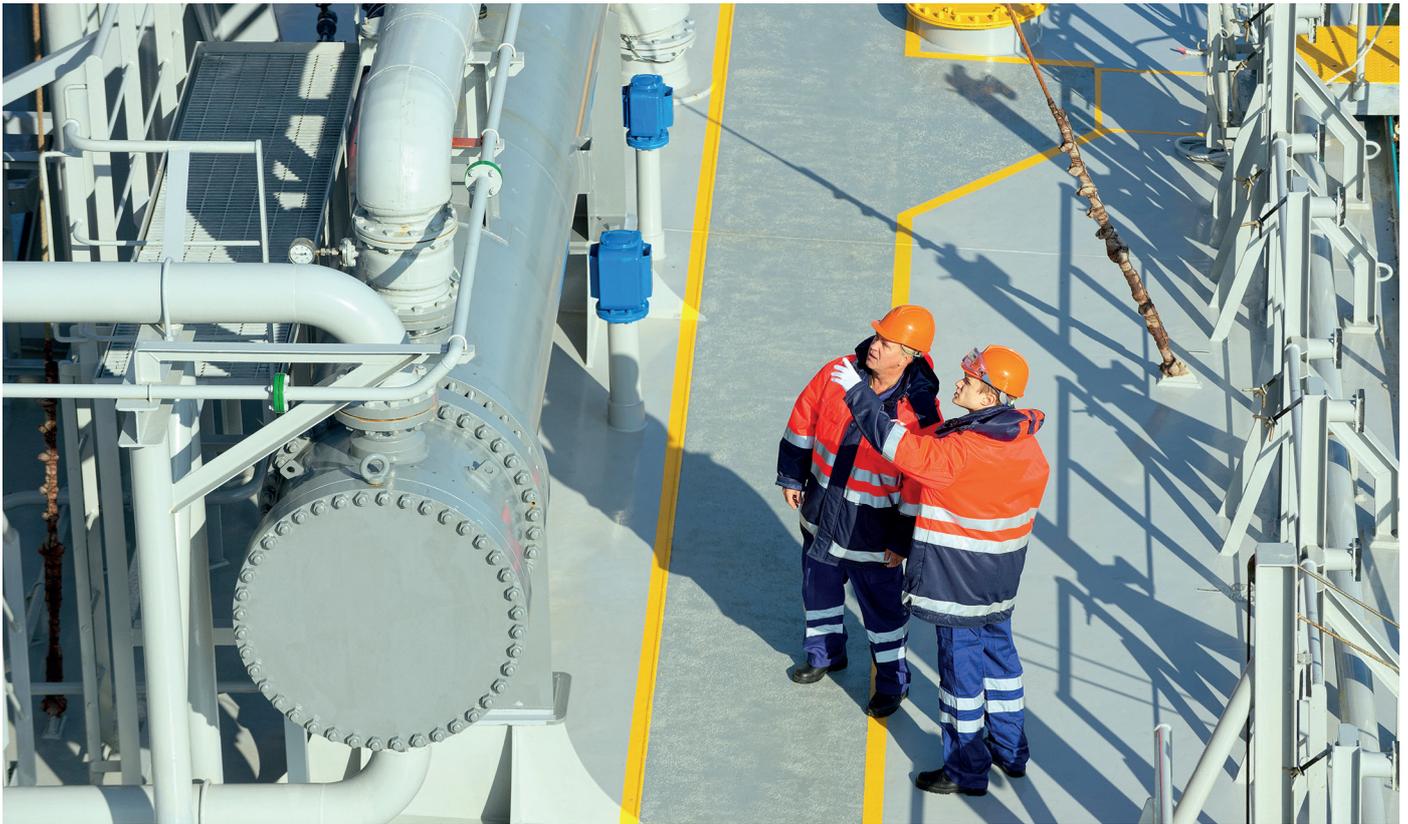
With an estimated 85% of investment required from the upstream supply of these fuels — only 15% from shipping stakeholders — maritime must also factor in upstream choices.

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New fuels throw up serious safety concerns in which the industry has little experience.

Safety first: fuel transition does not come without risk

Future fuels like ammonia and hydrogen may one day provide the energy shipping needs to traverse the seas without cooking the planet. But like the fossil fuels they must replace, they too present safety challenges, **Declan Bush** reports

To meet its target of halving emissions by 2050, shipping must look to new fuels. Yet they throw up serious safety concerns in which the industry has little experience.

“While all fuels pose a potential safety risk, the storage and combustion of hydrogen and ammonia — in particular within the confines of a ship — represents a significantly greater safety risk than that associated with the long-established residual and distillate fuel oils,” Ed Fort, global head of engineering systems at Lloyd’s Register, tells Lloyd’s List.

Like natural gas, hydrogen and ammonia are ‘low-flashpoint’ fuels that exist as gas under ambient conditions and are generally stored as liquids.

However, hydrogen is much more easily ignited than natural gas, with even a weak static discharge enough to ignite hydrogen in air.

It is also flammable over a much wider range of air concentration and can explode under certain conditions.

“Combined with the fact that hydrogen is significantly more likely to leak from joints and connections — and even diffuse through materials due to its small molecular size and lower viscosity — the likelihood of fire or explosion is significantly increased compared to natural gas,” Mr Fort says.

Ammonia, another candidate, is not explosive and is easier to store, since it does not need to be kept as cold as

hydrogen. It also does not burn easily — a trait that creates headaches for engine producers.

However, ammonia is highly toxic. Even relatively low concentrations in air can harm or kill.

Exposure to concentrations of 2,500 parts per million — 0.25% — in air can kill after 15 minutes. At 5,000ppm, or 0.5%, this is reduced to just minutes. It is also corrosive, can cause skin burns and is highly soluble in water.

“If it leaks, it’s not nice — especially if you think of having a lot of people, passengers on the vessel,” says Oskar Levander, senior vice-president of business concepts at Kongsberg Maritime in Finland.



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Ships have safely carried ammonia for years as a refrigerant and as a cargo. Yet the risk of leaks from these sealed or closed-loop systems are far lower than from its use as a ship fuel.

Other greener fuels have their own safety risks.

Methanol fires are nearly invisible in daylight without the use of special equipment. Methanol is corrosive — and toxic if ingested; 25ml-90ml can be lethal compared to 120ml-300ml for gasoline.

Formaldehyde can form in exhaust pipes, depending on the engine technology — and fire and explosion hazards must be accounted for.

Mr Levander says methanol's low flashpoint also means different requirements for ventilation and leak detection.

LNG safeguards

While the risks of using liquefied natural gas — which, in the future, could be made from biomass or using renewable electricity — are much more familiar to shipping, they still need safeguards.

LNG requires cryogenic storage, which can cause frost injuries on contact and turn normal steel brittle.

Gas can burn rapidly at a 5% to 15% concentration in air. To prevent leaks, double-walled tanks and pipes are needed, with the spaces between them vented and fitted with sensors.

And the fuel supply must be divided into at least two separate systems, allowing the gas supply to be shut down without loss of propulsion power in case of a leak.

The use of LNG as fuel for all types of ships was greenlit in 2017 under the International Maritime Organization's IGF code. It has an excellent safety record.

However, the industry had decades of experience handling LNG as cargo and using it as ship fuel, on which it drew to develop the rules and regulations to secure the approvals.

"The industry as a whole currently has little or no knowledge of hydrogen, either compressed or liquefied — and, correspondingly, no experience," Mr Fort says.

Ammonia fares a bit better. The industry is used to handling it in bulk — but it has no experience with it as fuel.

Mr Fort says these issues are not necessarily too complex to solve, but the industry needs to recognise its limitations.

He says if the possibility of an uncontrolled leak could be prevented



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Ammonia is highly toxic; even relatively low concentrations in air can harm or kill.



“*If [ammonia] leaks, it's not nice — especially if you think of having a lot of people, passengers on the vessel*”

Oskar Levander
Senior vice-president of business concepts
Kongsberg Maritime

in normal operations — accounting for human error and fault conditions through ship design — then crews could probably be trained to operate hydrogen- and ammonia-fuelled vessels safely.

Christos Chryssakis, a business development manager at DNV GL Maritime, says hydrogen needs to be stored in expensive, heavy fuel tanks, which take up a lot of cargo space.

"If you start making fuel tanks larger, you might start having structural issues," he adds.

Mr Chryssakis says if an accident were to happen on the first hydrogen-fuelled ferry, "that's going to be the end of hydrogen... and the same is true for ammonia".

If people start to smell pungent ammonia around ports, public opinion could swiftly turn against the new fuel.

Ammonia engines also bring the potential problem of 'ammonia slip' — stray amounts of unburned ammonia released into the air, just as LNG engines can release methane.

Engine-makers are optimistic the problem is solvable, but are yet to prove so.

Ammonia can also produce nitrous oxide, known as 'laughing gas' — a greenhouse gas 300 times stronger than CO₂.

"If engine-makers cannot limit this from getting out of the engine, that is going to be the end of ammonia right there," Mr Chryssakis says.

These problems may be fixed with enough safety precautions, but each adds costs.

Mr Chryssakis says the industry’s fuel “palette” will become more complex than it is today. It could be harder to switch crews between different ship types, given the extra training needed.

The new fuels must prove their safety to equivalent fuels to pass muster under the IGF code.

LNG is covered and methanol is close to it. Liquefied petroleum gas is at an early stage of testing, but hydrogen and ammonia are even further away.

Mr Chryssakis hopes the industry will start work on hydrogen from 2021 and ammonia in the next few years.

In time, other factors may swing the balance. The huge amount of renewable power needed to make enough green hydrogen is not yet available; nor is the carbon-capture technology needed to offset other emissions.

Mr Levander suspects synthetic natural gas will be the easiest fuel to adopt because it is easier to store and handle — and because today’s LNG ships can run on it.

Smaller ships may one day run on hydrogen, while others could use biogas where it is available.



“If engine-makers cannot limit [gas] from getting out of the engine, that is going to be the end of ammonia”

Christos Chryssakis
Business development manager
DNV GL Maritime

Coming to grips with the new fuels will be tricky. However, since they will be used only in newbuildings, the transition will at least come gradually.

“It’s not going to be like the sulphur cap, where you have to switch to another fuel almost overnight,” Mr Chryssakis says.

Mr Fort says to prevent accidents, safety must be paramount in all decisions around ammonia and hydrogen as fuel throughout the life of the vessel.

Ship designers, builders, crews and owners must act in line with best practice, “rather than — as is very often the case — in accordance with minimum standards”.

Mr Fort adds that shipping should look to other industries more familiar with ammonia and hydrogen to understand what best practice means.

“The use of hydrogen and ammonia as marine fuels is not business as usual,” he says.

“The potential prize of zero-emission vessels is huge, but it will come at a significant cost to the industry, which needs to be recognised and accounted for at the outset.”



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Shipping's decarbonisation progress conceals challenges

Recent decarbonisation reports offer evidence of progress but also foreshadow challenges the industry will soon have to address, **Anastassios Adamopoulos** reports

This year has so far offered continued optimism for maritime's decarbonised future — but the sector must address lingering and new challenges if it wants to succeed.

Despite the global misfortunes, some consolation can be taken when assessing the state of decarbonisation in the shipping industry, which, rather than regressing or stagnating, appears to be cautiously progressing — especially considering the news emerging in the past couple of months.

A report by Blue Insight highlighted more than 40 organisations linked to developing decarbonisation solutions that will likely compete for a share of this still largely untapped market. The analysis showed how much potential there is in this market.

Separately, some of the industry's leading companies have formed partnerships with promising start-ups in the decarbonisation field.

Ventures offering specific products or services are a welcome sign that at least some are heeding warnings — or perhaps wishful thinking, depending on how one looks at it — that shipping demand for low-emissions technologies and fuels will firmly develop within this decade.

And yet, amid this evidence that engenders a sense of progress, familiar and more deeply rooted challenges persist.

A Shell survey reported how executives conveyed a sense of the urgency of the decarbonisation challenge. Yet they also indicated there is a shortage of willingness from investors, customers and charterers to co-finance low-emissions solutions.

Maritime decarbonisation, without overwhelming and meaningful support from these hesitant actors, is not only an unfair expectation; it is counterproductive



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Shipping will not be able to avoid the significance of lifecycle emissions of alternative fuels.

to the project. The slower and smaller funding levels are from these sources, the weaker and more sedated progress will be.

To be fair, some of the major charterers and customers are visibly involved in some of these early decarbonisation initiatives, committing time and resources to them. This needs to happen more frequently — and has to be done by a much larger share of their competitors — if shipping is to slash its emissions within an acceptable timeframe.

These exceptions notwithstanding, the risk that comes with investing in more expensive and widely untested technologies means corporations that should be driving the changes have not yet figured out a way to do so while ensuring it does not jeopardise their bottom lines.

In the middle of the coronavirus pandemic, it is easy to forget that this industry also relies on regulatory enhancements to function with some semblance of harmony. The health crisis has halted all official international negotiations until further notice, including the environmental ones.

When the International Maritime Organization meetings resume in 2021, the pressure on governments to take action will be greater than it was before.

There will be little patience for the use of coronavirus as a reason for delayed decisions — especially on issues like short-term emissions-reducing measures, which some observers believe have already been pushed back enough.

A report compiled by the US-based Environmental Defense Fund

recommended: “Shipping must adopt a full lifecycle perspective, accounting for all greenhouse gas emissions, including methane, and ensure accurate calculations of both the direct and indirect impacts of emissions associated with the whole supply chain (extraction/production, transport/distribution and combustion) of the fuel.”

Lifecycle emissions are hardly a new element of the decarbonisation debate. Governments have even brought it up as an important issue at the IMO. Yet there have so far been limited suggestions that regulating lifecycle emissions should be its task.

The debate shows that this issue will not subside anytime soon. Even if the IMO does not directly control lifecycle emissions of ship fuels, the scrutiny over the policies it adopts with regards to calculating lifecycle emissions from alternative fuels and its stance on what it deems to be acceptable will only increase.

As regulators try to reassemble following the coronavirus disruption, shipowners, charterers and the industry more broadly should take this time to fully entrench in their strategies and wider philosophies an almost inevitable eventuality: lifecycle emissions will be the only important standard by which maritime decarbonisation will be judged.

Exclusive attention to the only aspect of the fuel chain for which most of them have felt responsible until now, the tank-to-wake emissions, will be insufficient, criticised and ultimately dismissed as a tenet of the past — much like the fossil fuels of which they seek to rid themselves.

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Ammonia production would need to rise by 30% to meet marine fuel demand targets by 2050, says the IEA report.

Favoured future marine fuel faces scaling-up hurdles

The build of ammonia-fuelled ships must ramp up significantly if net carbon-zero emissions targets are to be met; however, accelerating the development of this preferred decarbonisation option to make it commercially viable is no mean feat, **Michelle Wiese Bockmann** reports

Shipping needs to put 36 ammonia-fuelled vessels into service every month to meet any net carbon-zero emissions targets, an International Energy Agency special report on energy technology found.

However, the industry’s “technology readiness” is only at the demonstration phase for ammonia-powered vessels, underscoring a series of recent reports indicating shipping is nowhere near reducing its reliance on fossil fuels.

Shipping aims to reduce greenhouse gas emissions by 50% by 2050, although individual countries have set lower targets.

The carbon and sulphur-free fuel, which can be used with catalytic technology installed on vessels to also cut nitrogen oxides and nitrogen dioxides, has emerged as one of the preferred decarbonisation options for shipping.

How quickly this technology can be scaled up to commercial viability is under question.

The coronavirus pandemic has stifled overall investment in clean technology and weakened innovation, according to the IEA’s Energy Technology Perspectives 2020 report, which is published every

three years: “Without a major acceleration in clean energy innovation, net-zero emissions targets will not be achievable,” the report said.

It analysed more than 400 technology designs and components, including electrification, carbon capture and storage, low-carbon hydrogen and hydrogen-derived fuels and bioenergy.

The world share of hydrogen and electricity in final energy demand by end-user sectors showed that shipping would comprise less than 1% under current policies, rising to just under 13% in the IEA’s “sustainable development scenario”.

That scenario assumes current targets under the Paris Agreement — from which shipping is exempt — are met, with net-zero CO₂ emissions by 2070.

Under this target, ammonia-based ships are introduced to the market by 2024, with early adoption by up to 1% of the market seen between 2024 and 2036.

To meet targets, shipping needs to launch 36 vessels a month powered by ammonia. The technology for electrolytic hydrogen-based ammonia to fuel vessels would need to reach the market in about 12 years’ time.

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“The key technologies the energy sector needs to reach net-zero emissions are known today, but not all of them are ready,” the IEA said.

Around 35% of the cumulative CO2 emissions reductions needed to shift to a sustainable path from technologies currently at the prototype or demonstration phase.

“A further 40% of the reductions rely on technologies not yet commercially deployed on a mass-market scale. This calls for urgent efforts to accelerate innovation,” the report said.

Consumer products such as LEDs and lithium ion batteries take 10 to 30 years to go from the prototype to the mass market, and should be the benchmark for energy technologies to get to zero emissions, according to the report.

Like many industries, shipping is nearly one investment cycle away from 2050, making investment timing and availability of new technologies critical, the IEA said.

The pandemic is a potential setback, with an IEA survey revealing companies developing net-zero emission technologies will likely have research and development budgets reduced.

A recent white paper on ammonia as a ship fuel determined the volumes, infrastructure and evolution needed to convert 30% of global shipping to the alternative fuel by 2050. Shipping fuel consumption is measured at 250m tonnes annually.

The Ammonfuel report, published on August 3, said current roadmaps should see a dual-fuel, ammonia engine developed by 2024. The report was funded by Alfa Laval, Hafnia BW, Haldor Topsoe, Siemens Gamesa and Vesta – industrial, shipping and technology interests.

Solutions adopted for liquefied petroleum gas and liquefied natural gas for marine fuels provided a starting point for engineroom safety and fuel and bunkering supply, the report said.

Global ammonia production capacity (1,000 metric tonnes)

Region	2018/19
North America	19.477
Latin America	13.644
Western Europe	12.214
Central Europe	8.341
Eurasia	31.033
Africa	12.828
West Asia	22.247
South Asia	22.426
East Asia	98.819
Oceania	2.259
World total	243.288

Source: Ammonfuel White Paper, August 2020

Ammonia production would need to rise by 30%, or 150m tonnes, to meet marine fuel demand targets by 2050, the report concludes. Some 180m tonnes is currently produced, with an additional 60m tonnes of overcapacity. About 17.5m tonnes was transported by ship, train or truck.

‘Green’ ammonia

Most is so-called ‘conventional’ ammonia, produced using energy from fossil fuels, such as natural gas. ‘Green’ ammonia is produced from renewable energy sources, such as wind or solar energy.

To produce enough green ammonia for shipping, an additional 400 gigawatts of renewable energy would be needed. By comparison, 184GW of additional wind and solar power capacity was installed in 2019, with total world capacity now at 1,286GW.

The price of carbon-neutral ammonia for use as a dual fuel was estimated at \$16 to \$21.50 per gigajoules, a unit of energy, between 2025 and 2030 – or \$300 to \$400 per tonne. That compared to \$12.50 to \$15 per gigajoule for very low-sulphur fuel oil. Conventional ammonia today costs

\$13.50/GJ, while green ammonia produced from solar wind and energy from 2040 was estimated to be \$13.50/GJ to \$15/GJ.

“Additional 25% ammonia synthesis capacity can easily be obtained in revamping of existing ammonia plants by using available technology within compressor and reactor technologies,” the report said.

“This would give an additional 25% to the available 220m tonnes of capacity, resulting in total 275m tonnes world capacity. New ammonia plants should then cover 55m tonnes and the additional conventional market demand.”

Most new capacity will be based on sustainable hydrogen production, based on renewable energy and electrolyzers, the report said.

“Revamp into hybrid plants can come in steps, starting from a few percent and gradually increase to approximately 10% with only minor modifications.

“Going above 10% green will then require modifications in the ammonia plant heat integration, which will require more investment.”

Ammonia is stored on pressurised vessels, or at liquid form at minus 33 degrees Celsius, with 170 LPG semi or fully refrigerated carriers capable of carrying the fertiliser as a cargo.

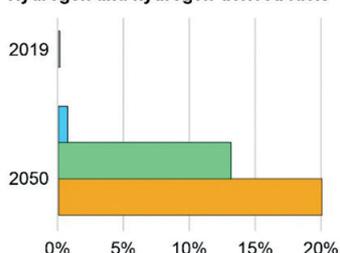
Some 120 ports are equipped with ammonia trading facilities.

There are significant safety and toxicity risks for crew and the International Maritime Organisation’s gas carrier code bans ammonia for use as a ship fuel.

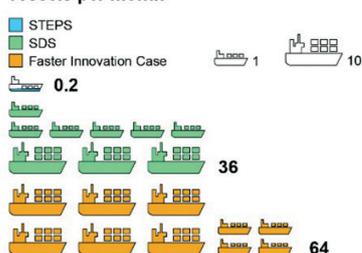
Regulations would need to be amended and revised, with risk assessments from ports to bunkering to onboard safety changes.

IEA Energy Technology Perspectives 2020 report

Transport: Hydrogen and hydrogen-derived fuels



Additional large ammonia-fuelled vessels per month



* SDS: sustainable development scenario
* STEPS: stated policies scenario

Source: International Energy Agency



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Container carriers collaborate over carbon concerns



AP Moller-Maersk

Maersk hopes other lines will follow in its wake in a bid to decarbonise the shipping industry.

Container lines are bringing together unique combinations of companies to help solve the conundrum of how to decarbonise shipping, James Baker reports

Container shipping has a unique role to play in the decarbonisation of shipping. A small number of very large companies dominate the sector. Moreover, through alliances and slot-sharing agreements, lines already work together closely.

Box lines also have strong links to their customers, the shippers and beneficial cargo owners. Many of these, wanting to show their own green credentials to their end-customers, are looking to collaborate with carriers to promote cleaner shipping.

This collaboration is starting to gain traction, with container lines launching or joining consortia to push forward shipping's decarbonisation plans.

Maersk, the largest container shipping line in the world by capacity, has been an early-mover.

In 2018, it announced that it wanted to get a carbon-neutral vessel on the water by the end of this decade.

The rationale for the move was that a ship built in 2030 would still be operational in 2050.

If the industry wanted to reach carbon neutrality by mid-century, it had just over 10 years in which to find a solution.

Although it admitted at the time that its zero-carbon target was aspirational, Maersk said the time for action was now.

Maersk also said it wanted to work with all the constituents in the supply chain, be they current manufacturers, suppliers or competitors, and was seeking to tap into new innovations and work with governments around the world.

A year and a half later, the seeds of those initial ambitions bore fruit in the form of the Maersk Mc-Kinney Moller Center for Zero-Carbon Shipping.

The centre, launched with the backing of the AP Moller Foundation, the Maersk Mc-Kinney Moller family-run fund, is a coalition of seven maritime groups, including Maersk and NYK, that will see some of the biggest names in the sector collaborating through an established institution rather than via a coalition or for the purposes of a single pilot project.

Other founding members of the

Copenhagen-based institution are ABS, Cargill, MAN Energy Solutions, Mitsubishi Heavy Industries and Siemens Energy.

Maersk chief executive Søren Skou, who sits on the organisation's board, said the group was a "quantum leap" for decarbonising the shipping industry.

"This joint initiative will fast-track the maturation of solutions and strengthen the basis for decision-making among industry players and regulators and hence accelerate investments and implementation of new technologies," he said.

Bo Cerup-Simonsen, a former Maersk executive who has been appointed chief executive of the centre, said that once up and running, the organisation would effectively work along two lines: research and development; and regulatory and practical measures.

The first would seek to establish a research and development portfolio to investigate the number of different options for decarbonising shipping, both on the energy and technology sides.

“On the other hand, we are going to work with regulatory, commercial and financial means to actually make the transition happen,” he said.

Launching on the back of the AP Moller Foundation donation, Mr Cerup-Simonsen was confident that the organisation could attract similar fund interest and bring in new members, as well as establishing partnerships with companies and institutions that would contribute to it in some way.

“You have to commit resources one way or the other to become a member — because the point is, we want leadership,” he said.

“We want companies that are committed to drive the transition. And it means we want real commitment.”

Rival French carrier CMA CGM was an initial supporter of Maersk’s moves to seek industry collaboration on carbon emissions. While it did not join Maersk’s venture, it has since launched a similar programme with the same goals.

CMA CGM has teamed up with 10 partners to form a coalition that seeks to accelerate the development of energy sources and technologies to address the

“*This joint initiative will fast-track the maturation of solutions and strengthen the basis for decision-making among industry players and regulators and hence accelerate investments and implementation of new technologies*”

Søren Skou
Chief executive
Maersk

challenges posed by “sustainable mobility in the transport and logistics industry by reducing emissions, fighting global warming and protecting biodiversity”.

As with Maersk, it is looking beyond the shipping sector. Its members include

customers, financial institutions, energy company Total and engineering group Wärtsilä.

“We have big ambitions as far as greenhouse gas emissions are concerned and we are convinced that no-one will find a solution alone,” CMA CGM senior vice-president Joël Gentil told Lloyd’s List as the coalition was launched in July.

The key to both Maersk’s and CMA CGM’s efforts is the realisation that the decarbonisation of shipping is not a problem that shipping can solve on its own.

Future fuels — whichever comes to dominate the market — will require co-operation and collaboration with the energy sector that develops them.

Engine-makers will need to develop new technologies to burn the fuels.

Bunker suppliers will need to source and deliver fuels — which, in the case of hydrogen or ammonia, may require entirely different bunkering techniques.

Organisations like those supported by Maersk and CMA CGM will be vital to bringing the various parties together to turn the theory of decarbonisation into practice.

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The global active offshore drilling rig count for June 2020 stood at 208 rigs exploring or developing oil or natural gas worldwide.

Drop in energy demand will see offshore fleet contract

According to Lloyd’s List Intelligence, the orderbook for offshore and service vessels is at an all-time low, while fleet removals will accelerate due to the coronavirus-led fall in oil and gas consumption, **Adam Sharpe** reports

The global slowdown in demand for oil and gas as a result of the coronavirus pandemic will result in fewer orders for new offshore vessels and accelerate removals from the fleet, according to Lloyd’s List Intelligence.

New orders in the offshore sector will shrink to just 17 vessels in 2020, according to the latest Lloyd’s List Shipbuilding Outlook.

This is the lowest level since before 1970, when accurate records began. However, new orders are expected to recover gradually thereafter and reach 123 vessels by 2024.

Oil exporters are freezing the development of crude and natural gas deposits and they are idling offshore drilling rigs as energy use slows due to the coronavirus pandemic.

Oil producers worldwide are cutting spending and putting projects on hold as the plunge in prices takes away profits.

The global active offshore drilling rig count for June 2020 was 65 units lower than in June 2019, according to Baker Hughes’ monthly rig count.

There were 208 offshore drilling rigs actively exploring or developing oil or natural gas worldwide in June 2020. The number of rigs averaged 225 for the first half of 2020, which is a decrease of 21 compared to the first six months of 2019.

Latin America was the only region that saw its offshore rig count rise. Europe and North America saw their numbers halved.

Although prices for Brent crude have more than doubled since late April, demand is only returning slowly.

Offshore fleet capacity

In July 2020, the offshore fleet had a total capacity of 98m dwt, divided between 11,725 individual ships. Fleet growth overall was moderate over the past five years at almost 1.3% annually, measured in number of vessels.

However, over the 2020-2024 period, the offshore fleet is forecast to shrink at an average annual rate of 0.6%. This is because the strained market will trigger more removals, with 158 vessels forecast to be sent for demolition in 2020, which is level with 2019.

In 2020-2024, total new contracts are forecast at 372 ships, 286 vessels fewer than in 2015-19, while offshore removals will almost double to a total of 811.

The largest increase in removals will be in the platform supply vessel (PSV) segment, in which demolition will grow by 210 vessels to 327.

Anchor-handling tug (AHT) removals are forecast to grow to 263 vessels over the next five years – 60 vessels more than in the previous five-year period.

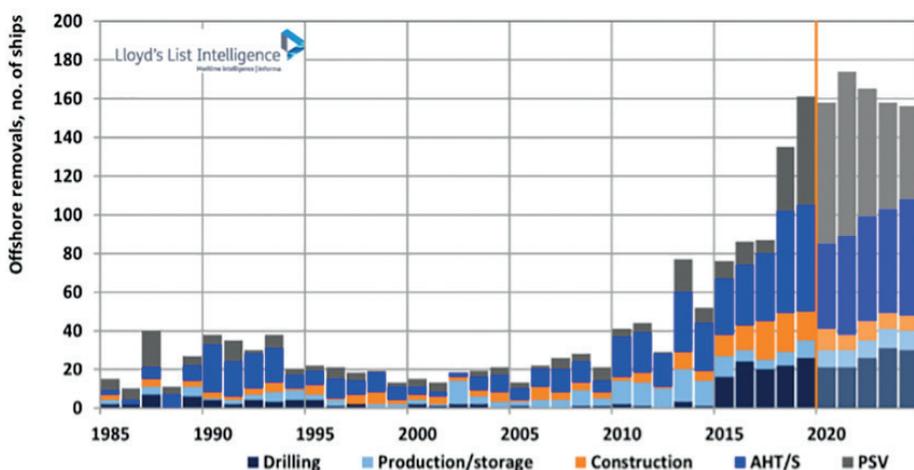
There will be growth only in the production/storage segment at an average annual rate of 0.4% each year, but that will be offset by a decline in other offshore segments.

The highest rate of decline will be in the drilling segment, which is set to shrink on average by 1.1% annually. This is followed by PSVs with a decline rate of 1% and by AHTs with a compound annual growth rate of -0.5%.

The current orderbook stands at 298 vessels, which is an all-time low. By 2022, the orderbook is forecast to shrink even further to just 144 vessels.

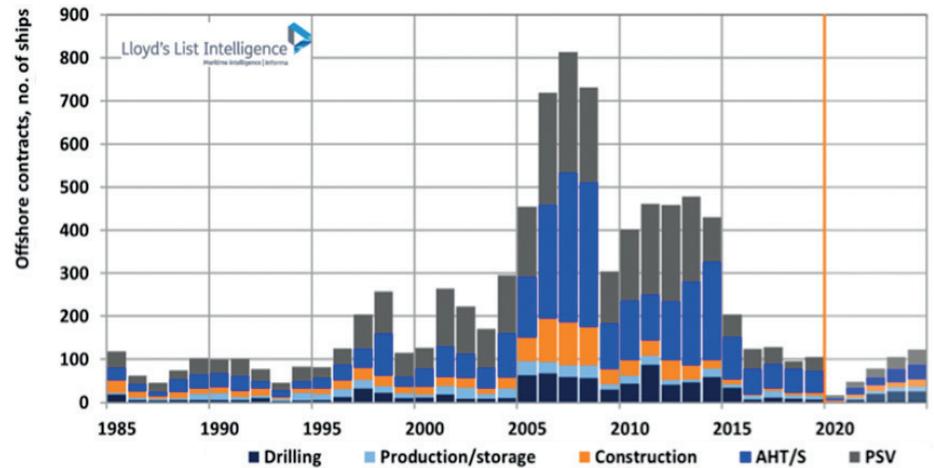
Because of the low orderbook, we will see weaker deliveries in the coming years.

Offshore fleet removals in number of ships (as of July 2020)



Source: Lloyd's List Intelligence

New contracts for the offshore fleet in number of ships (as of July 2020)



Source: Lloyd's List Intelligence

The oversupply of rigs in recent years has reduced the numbers of orders and thus we will see a decline in deliveries going forward.

In 2020, a total of 160 offshore vessels are expected to be delivered and, in 2022, deliveries will drop to just 53 vessels, which is the lowest since 1995.

In 2023 and 2024, deliveries are expected to remain below 100.

Service vessels

As of July 2020, the service fleet stood at 23,516 ships (16.4m gt), of which 17,365 (75%) are tugboats, which account for 33% of capacity at 5.4m gt.

There are only 1,539 dredging vessels in the service fleet but since they are relatively large, their aggregated capacity is 4.6m gt (28%).

The service fleet is forecast to grow at an average annual rate of 1.1% to reach 24,704 vessels in 2024. Across the service segments, search and rescue and patrol

vessels will have the highest average growth rate (2.3%), followed by tugs (1.1%) and workboats (0.7%).

There are 676 service vessels on order (2.9% of the current fleet). However, given that there will be higher deliveries than new orders in 2020, by the end of the year, the orderbook is forecast to shrink to 533 vessels, which is an all-time low.

Given the low orderbook, the deliveries will be weak in the years ahead. Deliveries of service ships will drop from 345 vessels in 2020 to 290 in 2021.

In total, 1,820 service vessels will be delivered in 2020-2024. Of those, 1,196 will be tugs, which is 270 fewer (down 18%) than in the previous five years. Dredging ship deliveries will drop by 48 vessels (down 35%) to 90 in 2020-2024.

The service fleet is quite old, with an average age of 25.8 years. Research vessels are particularly old, with an average age of 32 years.

In 2020, 93 vessels will be removed from the fleet, which is an all-time high. Service vessel removals are forecast to increase further, to more than 100 vessels in 2022-2024.

The removals of service vessels are forecast to strengthen significantly. In number of vessels, the removal forecast for 2020-2024 stands at 516 vessels, which is 294 more than in 2015-2019.

The Lloyd's List Intelligence Shipbuilding Outlook offers accurate forecasts and unique insight into each shipping market segment. For more information, go to: <http://lloydlist.maritimeintelligence.informa.com/products-and-services/lloyds-list-intelligence/shipbuilding-outlook>

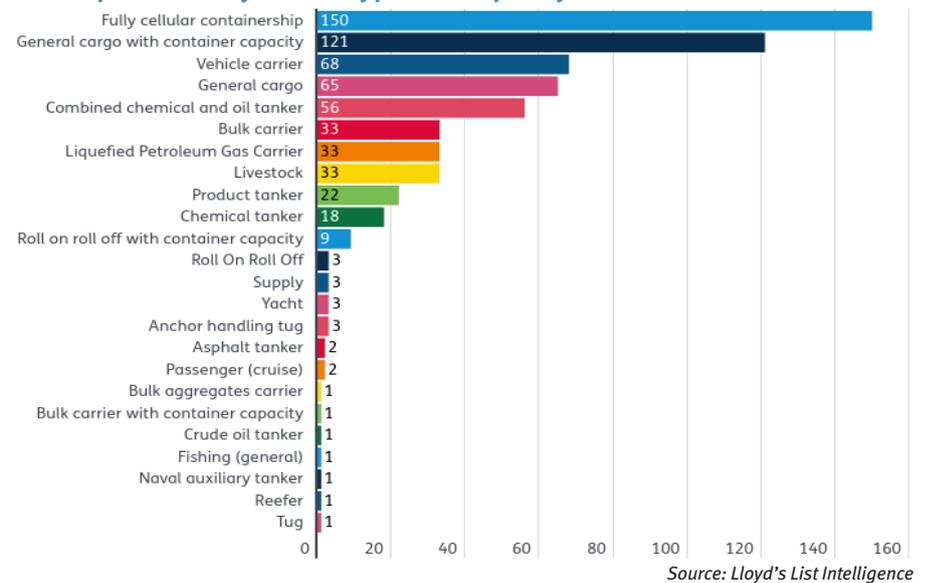


Beirut blast hits Lebanon's trade flows; China sees port congestion

The blast at the port of Beirut is likely to have a lasting impact on Lebanon's trade flows; port congestion in China is maintaining floating storage at elevated levels; while a 'game-changing' deceptive shipping practice is being deployed by tankers looking to evade US sanctions

The devastating explosion in Beirut in early August resulted in hundreds of deaths and thousands injured. The port, where the blast took place, is Lebanon's main gateway for the import

Beirut port calls by vessel type in the past year



of food and goods and is critical to the economy of the country. With key infrastructure at the port now

damaged or destroyed, there will be great pressure to rebuild and ramp up vessel capacity, where possible, at other ports to ensure emergency supplies can be delivered and normal trading resumes.

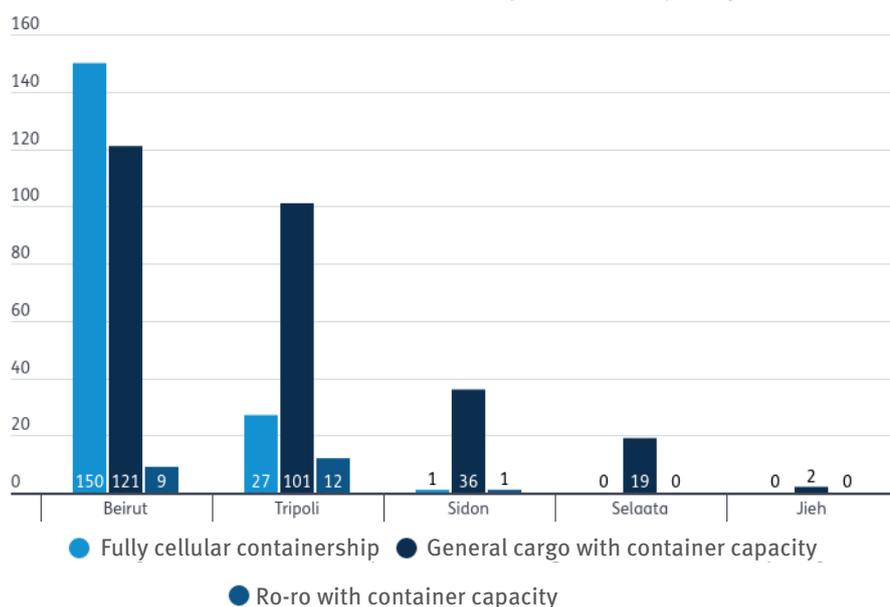
Lebanon is a relatively small and poor country economically and was already in the middle of its worst financial crisis since the civil war of 1975-1990. The coronavirus pandemic further weakened demand for goods.

Its reliance on imports is greater than its exports, leaving it with a deficit. The country's total value of imports was \$14.2bn last year, while its exports totalled \$3bn.

The United Nations Food & Agriculture Organization has supplied temporary facilities to store grain, after a key silo with a capacity of up to 120,000 tonnes was destroyed, and there are shipping supplies such as wheat and corn that could last for up to three months. The country imports around 80% of its food needs annually.

The container terminal was relatively unharmed and port calls have resumed after vessels were initially redirected to the country's second port, Tripoli, or other regional alternatives.

Container vessel calls at main Lebanon ports in the past year





However, Tripoli would be unable to ramp up container traffic immediately and also does not have grain-handling facilities, although nearby warehouses could store shipments temporarily.

Beirut handled 1.2m teu in 2019, while Tripoli only has capacity currently for 400,000 teu. Tripoli has just 600 m of quay space with two cranes, compared with the 1,100 m at Beirut with 16 cranes.

In total, there were 610 vessel calls to the port of Beirut last year, according to Lloyd's List Intelligence data, with fully cellular containerships accounting for 150, general cargoships with container capacity for 121 and vehicle carriers for 68 of the overall total.

Floating storage

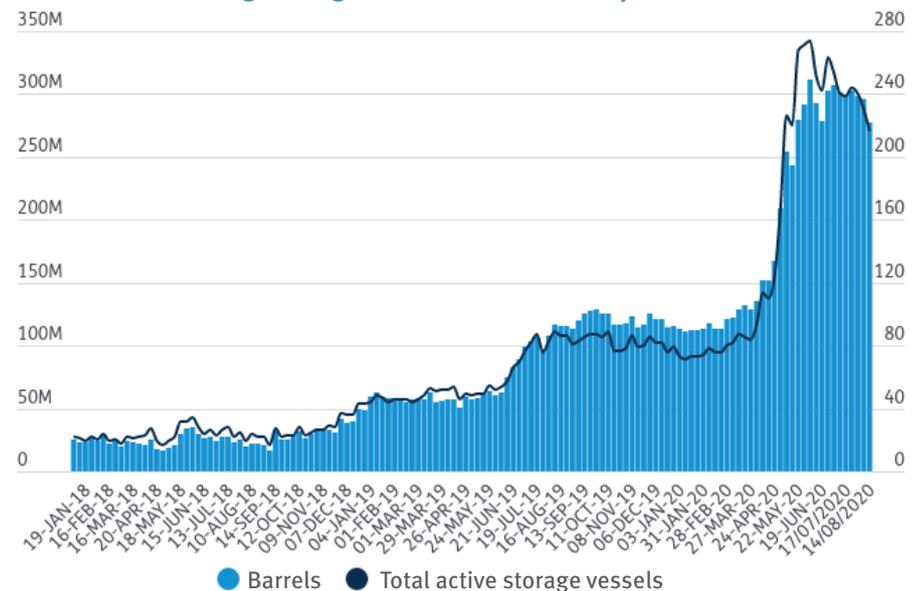
Up to 40% of the total amount of crude and clean products being held in floating storage globally is kept on tankers at anchor off China, according to Lloyd's List Intelligence data.

For the week ending August 14, there were a total of 217 vessels actively storing some 277.8m barrels of crude and clean products, which is the lowest amount in floating storage since mid-May but around 139% more than in the corresponding week last year.

The port congestion in China follows on from record crude purchases in June and July, as refiners and the government took advantage of cheap oil prices as a result of the dramatic coronavirus-led drop in demand.

Oil is likely heading for strategic petroleum reserves in China, as well as land-based storage for refineries, reflecting delays in discharging, as well as logistics constraints.

Short-term floating storage for crude and clean products



Methodology incorporates ships from panamax tankers and larger, at anchor for 20 days or more

Source: Lloyd's List Intelligence

“*Lebanon is a relatively small and poor country economically and was already in the middle of its worst financial crisis since the civil war of 1975-1990*”

The global pace and scale at which floating storage unwinds, as well as drawdowns of land-based inventories, is key to determining the direction of tanker earnings for the next three quarters.

Deceptive AIS

St Kitts and Nevis has de-flagged four sanctions-busting tankers involved in smuggling Iranian oil that were using a new, game-changing deceptive shipping practice to avoid detection.

The 2002-built very large crude carrier *Geissel* (IMO 9246279) was de-flagged on August 4, following press reports it had visited an Iranian port, the registry confirmed in a statement.

The 2003-built VLCC *Amfritriti* (IMO 9273337), 2000-built VLCC *Lerax* (IMO 9181194) and the 2002-built *Ekaterina* (IMO 290078) were also removed at the same time for the same reason.

Lloyd's List Intelligence Seasearcher subscribers can track the vessels using the IMO numbers above.

The tankers were among 16 vessels deploying a newly identified tactic that manipulates automatic identification systems data so that it shows the vessel in one place when it is actually in another.

The Month in charts is taken from Lloyd's List's regular Week in charts, published online each and every Friday



Source: Lloyd's List Intelligence



G-Vallery/Shutterstock.com

Around 40% of the world's seafarers have been directly affected by coronavirus.

Seafarer crisis is challenge for whole sector, including insurers

Shipowners and their insurers will very likely face claims from seafarers, Gemma Pearce, of BLM, reports

Until very recently, seafarers were not afforded key worker status. Had they been afforded this status — quite correctly — at the start of the pandemic, in all probability, the sector would not be faced with what can only be described as a humanitarian crisis.

While the entire world has been hit by coronavirus, approximately 40% of the world's seafarers have been directly affected, whether that relates to the 300,000 souls stuck at sea — some of whom are now out of contract — or the further 500,000 being impacted as a consequence.

Until recently, there was very little

commentary on the increasing problem of crew changes.

Providing some context to the scale of the problem, only around one-quarter of routine crew changes have taken place since March.

Fortunately, finding a way to resolve the problem that the shipping sector has faced has now gathered momentum.

This is partly because of support from the media, who are reporting on a daily basis about the difficulty shipowners are experiencing in repatriating hundreds of thousands of crew members after having spent many months at sea.

However, it is also following on from the

summit organised by the UK government on June 25.

Despite previous pledges by countries to ease transit restrictions for seafarers, it was not until July that some resolution was reached.

The UK summit saw 13 of the 15 governments in attendance pledging to give seafarers key worker status and allow exemptions to ease their passage through immigration borders to help resolve the crisis.

Many of these seafarers have been on ships for so long now that they are in breach of the time limits as contained within the maritime labour convention.

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Some may argue that the problem could have been easily resolved by simply re-routing vessels to other ports; however, this potential solution is not that easy.

Many shipowners have, for example, experienced problems associated with the issuing and/or expiration of visas, medical certification or passports, with some having expired mid-voyage.

Even if a ship could be re-routed, allowing a seafarer to physically disembark at a local port, when faced with the aforementioned scenario, they technically cannot do so.

If, for argument's sake, a seafarer did not have the visa/passport/certification problems mentioned above and was able to physically disembark, what happens next?

How do they get home with either so few airlines operating — or those that are, charging increased fares?

This mode of transport may no longer be viable to those who cannot afford inflated costs, combined with the significant travel restrictions placed upon the world, including many countries closing their borders.

In addition, how does their replacement travel to the relevant destination to join the vessel? Crew changes ordinarily involve several countries and, with many borders closed, the problem only becomes more difficult. As the pandemic has continued to spread across the globe, the problem has only become more entrenched.

Kept captive on board

The reality is that vast numbers of crew are essentially being kept captive on board until such time as some sort of resolution can be reached.

The shipping community has had to go to extraordinary lengths just to undertake what would normally be considered routine crew changes, with very little support from the governments of the countries that have had no difficulty in issuing the flag to the vessel in question.

The UK — which has now recognised seafarers as key workers — is evolving as one of the countries where crew changes are much easier to facilitate, which will be welcomed by some, provided vessels are able to divert.

The question many will be asking is whether this scenario could have been avoided. Until recently, there had been only occasional media coverage of these events, and certainly very little understanding about the scale of the problem.



Shipowners have experienced problems with the issuing and/or expiration of visas.

“
The shipping community has had to go to extraordinary lengths just to undertake what would normally be considered routine crew changes
 ”

That said, as an employee of a large shipping company, seafarers are surely likely to be asking the question — if they have not already done so — as to whether the industry and their employer could have done more to prevent the situation.

Perhaps for some, the question and/or solution relates to the flag state of the vessel. A vast number of shipping companies, when choosing a flag state for their tonnage, do not generally apply to their home nation.

This can be for myriad reasons, including financial — although more recently, some UK owners/operators have chosen to avoid European countries because of Brexit implications.

Why would a country that has no affiliation with an owner/operator — save for a vessel being flagged with them — choose to lend support to an outsider, rather than a domestic operator?

Perhaps some shipping companies will give consideration in the future as to their choice of register, and whether they would be better off flagging in their home countries so as to leverage internal support in the future if and when presented with scenarios such as those that have arisen from the health crisis.

Post-resolution, there are likely to be some questions asked, including whether the shipping industry is to blame.

The overall damage to the sector will not be known for some time, although this is likely to be multi-faceted.

First and foremost, shipowners can certainly expect to be presented with claims from their employees.

Charters could start to be rejected on the basis that a ship's crew have been on board for excessive periods, raising safety concerns.

Vessels will then be laid up around the world, with potentially no crew being available, as there is almost certainly going to be a decline in the profession — even in those countries that continue to supply seagoing labour.

To avoid all of this, seafarers need to be supported and therefore it is essential that crew changes return to normal as a matter of urgency if global economies are to recover from the impact of coronavirus.

Gemma Pearce is a partner and head of marine at the insurance risk and commercial law firm BLM

This article first appeared in Insurance Day

Using technology to tackle the challenges of Covid-19

Peter Stålberg, of The Swedish Club, discusses the way in which technology has been a game-changer in terms of risk management through the Covid-19 pandemic

With the onslaught of Covid-19, measures to prevent the spread of the virus have closed ports or meant strict quarantine measures for crew.

Ports have been operating with their own individual approaches to managing the coronavirus situation, making it difficult for the master to prepare the vessel — or the crew — for the challenges facing them when they prepare to berth.

Technological solutions, such as The Swedish Club's trade enabling loss prevention (TELP) tool, have therefore proved useful to members in managing everyday operations safely. The club has been using TELP to guide vessels into ports around the world, helping overcome the difficulties in operating ships during the current coronavirus outbreak.

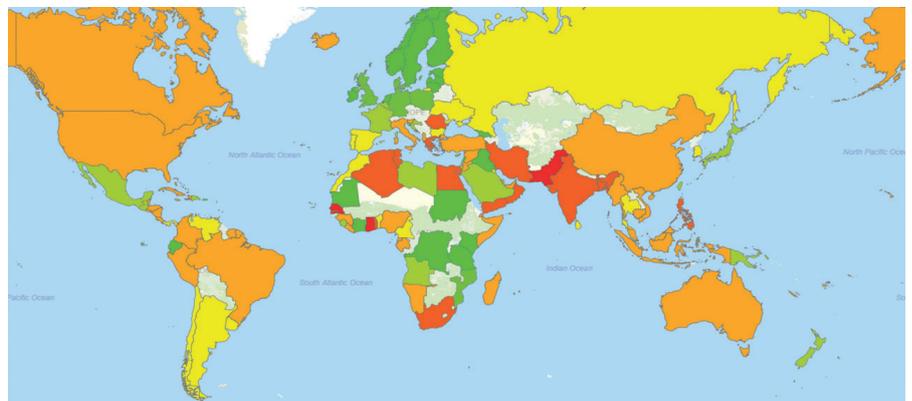
The club has been sending more than 60 messages a day to its members, using information provided by its network of correspondents and automatically triggered by ships' automatic identification systems.

It uses AIS technology to track vessels and automatically identify any that are moving towards an area that has been highlighted through the club's own claims statistics as being of particular risk. Tailored advice is then generated and sent out about five days before arrival.

An added dimension is that new alerts from local correspondents are added in where appropriate, which the club says has proved invaluable in clarifying the picture regarding access at individual ports during the pandemic.

TELP underwent a pilot programme for four months at the end of 2019, involving a small number of members operating a range of vessel types, to help develop and refine the system.

Feedback from a pilot was positive. Masters appreciated the information supplied and would take it into consideration when calling at the specific port in the following few days. Users also appreciated the supply



Generic risk ranking of ports and countries is provided to club members.

of "local" news, ie the information provided by the correspondents.

With the circumstances we have all faced so far in 2020 — and the industry need for immediate information on the ground — this feedback proved to be very prophetic.

Claims hotspots

The Swedish Club has identified around 30 "hotspots" around the world, based on actual data rather than what might previously have been anecdotal or even just a "feeling".

As a result, the vessel positioning information is now integrated with where claims happen. In some cases, two different criteria for the same hotspot would apply — for example, navigational hazard and cargo problems. On the other hand, there were cases where there was the perception of a location being a difficult place, but the statistical analysis based on trading patterns showed something completely different.

The data is being re-evaluated all the time — there are always new trades and cargoes to consider. The 30 hotspots are the places that stood out in the "first round".

Approximately 700 ships across a mix of vessel and geographical types are currently accessing the service, which is now offered on an "opt out" rather than "opt in" basis.

The positive feedback relating to advice from correspondents has resulted in the club deciding to put all information received — anything from a stevedoring strike to navigational challenges — into the system, even if it is not necessarily regarding a hotspot.

Specific correspondents' advice is classified and time limited and, where relevant, fed towards ships heading to that location. This fulfils the whole aim of the project: to provide relevant and timely information.

Regular follow-ups are needed to check the effectiveness of the system. For example, if information was provided stating that an approach was particularly tricky, but the ship ran aground anyway, it needs to be ascertained whether the master saw the advice before the incident.

The club can also measure whether claims reduce in a specific hotspot. The aim of the initiative is to help make sure ship operations are safer — with the potential spin-off being fewer claims.

Peter Stålberg is senior technical advisor, The Swedish Club

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



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Yard Talk with Cichen Shen

A regular column that looks behind the news headlines, adding analytical value to coverage of the big Asian shipbuilders and yards around the world

Ship recycling recovery gains momentum

Cash buyers are being ‘starved of tonnage’ and the markets will continue to jump higher, despite disruptions from the ongoing coronavirus outbreak, say industry players

In contrast to shipbuilders, who are stranded in the summer doldrums, breaking yards are enjoying a brisk recovery. That appears to be good news for shipping companies expecting freight rates to strengthen.

The coronavirus pandemic remains rampant, with daily new cases in India reaching a new record high at the time of writing, but it has not dampened the mood in the subcontinent ship recycling markets.

Braemar described cash buyers as being “starved of tonnage”, although only a handful of ships are being sold.

In its latest report, the shipbroker expected the mark-up to continue in the short term, with prices in Pakistan likely to break into the \$370 per light displacement tonne range.

It also forecast more vessels would be heading into scrapping yards this year, particularly towards the end of the third quarter and start of the fourth quarter, because owners were unwilling to pay for the old tonnage due for special survey or dry docking.

“Is it possible that we might see a ship sold for \$400 per ldt in September? Not yet — but time will tell!” said Braemar.

Prices in the region, including Pakistan, India and Bangladesh, currently stand at above \$300 per ldt across all vessel segments.

This is a surge from the previous nadir

“*Is it possible that we might see a ship sold for \$400 per ldt in September? Not yet — but time will tell!*”



More vessels are expected to head to scrapping yards this year, peaking towards the end of the third quarter and start of the fourth quarter.

of around \$150 per ldt, according to data from GMS.

“Cash buyers have finally managed to sell off a lot of their existing (and previously loss-making) inventories, while new units are being committed at increasingly impressive numbers,” said Braemar.

It noted rumours being circulated in the market last week that pointed to a panamax containership sold into India for more than \$360 per ldt, while prices at the ship graveyards in Alang alone surged by \$20-\$25 per ldt.

“Just last week, the price of scrap steel has started to rebound (posting some of the highest numbers we’ve seen this year), currencies are stabilising and demand has started to tell across all sectors as end-buyers realise they need to book their plots with units at the current levels, before markets continue to jump even higher,” it added.



Cash buyers have finally managed to sell off a lot of their existing (and previously loss-making) inventories, while new units are being committed at increasingly impressive numbers



Shipbreaking case turns spotlight on owners

Shipowners will have to be more vigilant and more involved in the shiprecycling process if lessons from a high-profile legal case are to be learnt, writes *Anastassios Adamopoulos*.

Bangladeshi national Hamida Begum has taken action against Maran Tankers in connection with the death of her husband, Khalil Mollah, while working on the demolition of *Maran Centaurus* in 2018.

The very large crude carrier had previously been owned by the UK-based tanker operator.

At an application for summary judgment last month, Justice Robert Jay concluded that the widow's compensation claim is unsustainable.

However, he also ruled that Ms Begum does have a real prospect of succeeding in her claim of negligence. Maran has said it will appeal.

Arjun Mital, legal counsel at GMS, a Dubai-based buyer of ships and offshore assets for recycling, said if the shipping company were ruled to be liable, it would force shipowners to become more active participants in the process of selling and scrapping vessels.

"It requires you to have corresponding clauses in the contract where you get into the issues of bringing the owners more involved in identifying where it is that the vessel is going to be scrapped, what the facilities are, what the regulations [are] and how the practices in the yard will be followed," Mr Mital said during a webinar.



Kateky/Shutterstock.com

If Maran Tankers is ruled to be liable, that could force shipowners to become more active participants in the process of selling and scrapping vessels.

A judge in the High Court in London ruled that Ms Begum would be eligible to seek compensation in the UK for her husband's death, potentially opening a path for claims for similar cases.

GMS legal counsel Nelson Cheng noted that while an out-of-court settlement could be the easiest option for the company, there is the risk it could open the "floodgates" for these types of claims.

"The arguments may not be legally sound but knowing the reputational risk and media attention that could be used

to pressure owners, I think that could be dangerous... if, for example, there is no definitive conclusion in the case," he said.

Mr Mital said in the case of a decision against the company, owners would need to plan ahead better for recycling and refrain from making last-minute decisions on sales for scrap.

Establishing which regulations apply to their ships, what processes they need to follow and which yards are most appropriate are all part of that process.

EU regulatory boost

Meanwhile, Turkey's market is also faring well, with prices climbing towards the \$200 per ldt territory.

The EU Ship Recycling Regulation is the major push behind that bullishness as Turkey has the largest share of recycling yards among those approved by the European Union and the Organisation for Economic Co-operation and Development, according to the research unit of SITC, a Hong Kong-listed intra-Asia focused carrier.

Chinese shipbreakers are probably the only ones left out of the party, even though many of them have invested heavily in facilities and technologies to comply with the EU regulation.

“Chinese shipbreakers are probably the only ones left out of the party, even though many of them have invested heavily in facilities and technologies to comply with the EU regulation”

They have been frustrated by Beijing's ban on importing ships for scrapping since 2019 and have been eking out what little supply there is from domestic shipowners. Repeated calls for an easing of the restriction have yet to be answered.

In a recent council meeting, the China National Shiprecycling Association chairman Xie Dehua said his member companies were facing "parlous conditions" and "tremendous challenges" with a double whammy of the import ban and the health crisis.

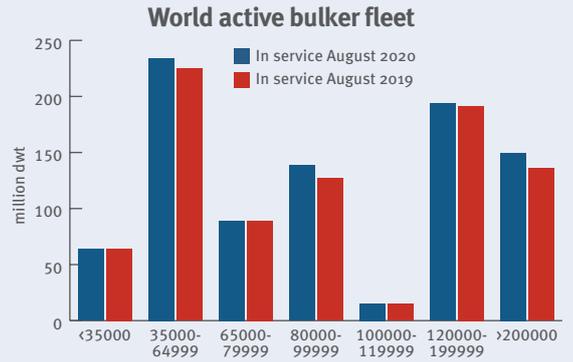
Mr Xie must have also bemoaned the reduced membership of his organisation as he gave his blessing to the departure of several shipbreakers.

The global active fleet of bulkers totalled 12,095 vessels comprising 884.3m dwt in early August, according to Lloyd's List Intelligence. In terms of carrying capacity, this represented a rise of 4.7% against last year.

Ships with a capacity greater than 20,000 dwt continue to be the main fleet driver of growth, climbing 10.2% on the year-ago level. This was in addition to a

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 946 units at the start of August, with a combined capacity of 86m dwt. In 2020, 519 more ships are due for delivery, with an additional 330 vessels due to hit the water next year, and a further 97 ships from 2022 onwards.



China's record imports: miracle or mirage?

BIMCO analyst Peter Sand expects Chinese import growth to ease during the second half of 2020, as the country gradually recovers from coronavirus, writes **Inderpreet Walia**

The record imports of dry bulk commodities seen by China in the second quarter of 2020 indicates that the sector has turned the corner.

While the rest of the world plunged into recession due to the coronavirus pandemic, China has been trying to dig itself out of a steep economic slump.

China has been the shining light — and, according to shipbroker Braemar ACM, dry bulk demand has become ever more dependent on the world's second-largest economy.

China imported 659.6m tonnes of iron ore in the first seven months of 2020, up 11.8% compared to the same period a year earlier.

The Asian giant's coal imports from January to July totalled 200m tonnes, up 6.8% year on year and just 99.58m tonnes short of 2019's total imports.

For soyabeans, imports in the first seven months of 2020 rose 18% year on year to 55.14m tonnes.

Yet are these apparent record shipments into China the real deal — or just a form of fool's gold?

Analysts argue there will be a recovery in the dry bulk segment in the second half of 2020, but



China has been trying to dig itself out of a steep economic slump.

it will not be as strong as in previous years.

BIMCO's chief shipping analyst Peter Sand said: "Surely the clever Chinese merchants are buying when prices are right? [Or] maybe China is building a buffer ahead of a tougher stance against Australia."

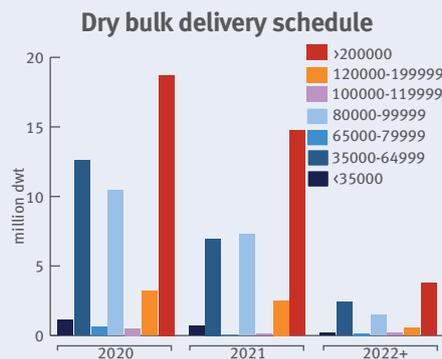
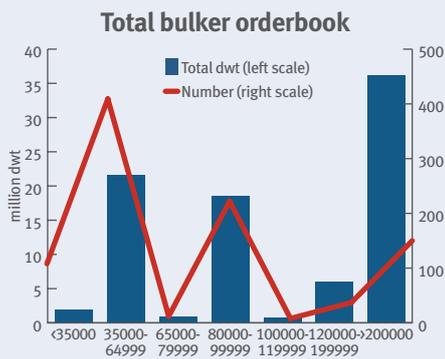
Mr Sand added that Chinese iron ore imports did not grow in the past two years as steelmakers relied heavily on scrap metal for their electric

arc furnaces to increase steel production rapidly. "So why this sudden move?" he asked.

Mr Sand also believes that the Covid-19 recovery picture China has been painting is not quite as fine and dandy as it has been made out to be.

"I would suspect China's stimulus to boost domestic employment and domestic production in mines etc. Apparently, that is not what's going on.





Data from:

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“If coal mines were all back at full normal, why would China import 13m tonnes extra? A small amount to the scale of domestic production, I know — but still, China is not buying anything out of pure mercy and philanthropy.”

Yet he agreed that the dry bulk sector would see solid demand from China until a new normal is reached.

Mr Sand expects Chinese import growth to ease at some point in the second half of the year, as the country gradually recovers from the virus.

Iron ore

Overall, the steel industry has borne the brunt of a coronavirus-led downturn this year, except for China.

Chinese domestic steel demand has been boosted by mega infrastructure projects, such as airports and rail links, that were scheduled pre-pandemic.

More recently, there has been an uptick in steel procurement for infrastructure projects supported by the special bonds issued in May by the provincial governments.

The Chinese steel market has become such an outlier in the global economy that it has become a target for other steel-producing countries to sell to, with China becoming a net importer of steel for the first time in 11 years in June, according to Braemar.

Robust steel output naturally drove a boost in Chinese iron ore imports, which reached a record 113m tonnes in July, making up for lower sales into other steel-producing countries.

“*If coal mines were all back at full normal, why would China import 13m tonnes extra? A small amount to the scale of domestic production, I know — but still, China is not buying anything out of pure mercy and philanthropy*”

Meanwhile, restricted supply from some of the major exporters also saw China pulling in ore from atypical suppliers.

For example, China’s imports from India over the second quarter trebled year on year to 12m tonnes, hauled mostly on supramaxes, the shipbroker noted.

Looking forward, Braemar forecasts China’s 2020 steel output to surpass 1bn tonnes, which will be around 2.5% higher versus 2019.

“This incorporates a gradual tapering off in output in the later months of this year, with weaker external demand for steel keeping margins in check and the usual seasonal winter pollution controls.”

Mining giant BHP also expects Chinese demand for iron ore to be lower than today as crude steel production plateaus and the scrap-to-steel ratio rises.

Coal

China’s coal imports rebounded in the first half of the year but since then have slowed because of exhausted import quotas as the economy tries to incentivise domestic producers.

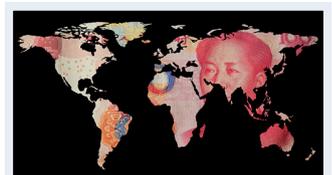
Economic growth drives the demand for power generation and industrial production in China, as does the demand for coal imports.

While these equations appear linear and straightforward on the surface and should induce further imports, in reality, the demand for coal — and, by extension, demand for its transport on ships — is ebbing away as Chinese authorities seem unwilling to grant additional allowances for imports.

Beijing had already been stepping up curbs on coal imports since June, through lengthy processing and import quotas as the nation looks to bolster its coal industry.

Further discouraging the demand for coal in China, new hydro-power capacity is scheduled to be brought online soon and existing hydro output is being buoyed by the recent heavy rainfall, Braemar said, adding that it expects Chinese seaborne coal demand to remain subdued for the rest of the year.

“We forecast second-half 2020 coal imports to come in around 25% lower year on year,” it conceded.



BHP warns of slowing growth outside China

China’s demand for iron ore in the second half of this year is expected to be lower than it is today, says BHP

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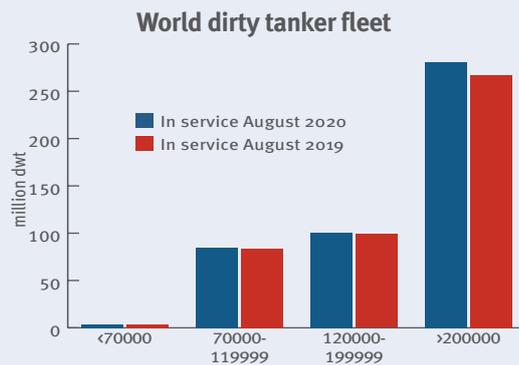
CRUDE TANKERS

The active crude carrier fleet comprised of 2,449 ships, equivalent to 468.8m dwt, at the start of August, according to Lloyd's List Intelligence. This represented an increase of 3.6% over last year.

Very large crude carriers, of 200,000 dwt and above, continue to lead the growth, with numbers up 5.2% on year to nearly 280m dwt. Aframax

tankers of between 70,000 dwt and 120,000 dwt continue to drive advances in the fleet too, up 1.4% on year to 802 vessels, representing 84.9m dwt.

The global orderbook was composed of 294 ships with a carrying capacity of 56.2m dwt. A further 17.5m dwt is due for delivery in 2020, with 23.7m dwt due in 2021 and nearly 15m dwt from 2022 onwards.



Middle East leads steep fall in global crude tonne-mile demand

Tanker tonne-mile demand dropped 18.6% in July compared with the same month last year, with preliminary August data suggesting falls of the same magnitude during this month too, writes **Michelle Wiese Bockmann**

Even though many oil producers reversed voluntary or agreed supply cuts in July, this was the month in which the sharpest falls in tonne-mile demand were noted since the coronavirus outbreak decimated oil demand worldwide.

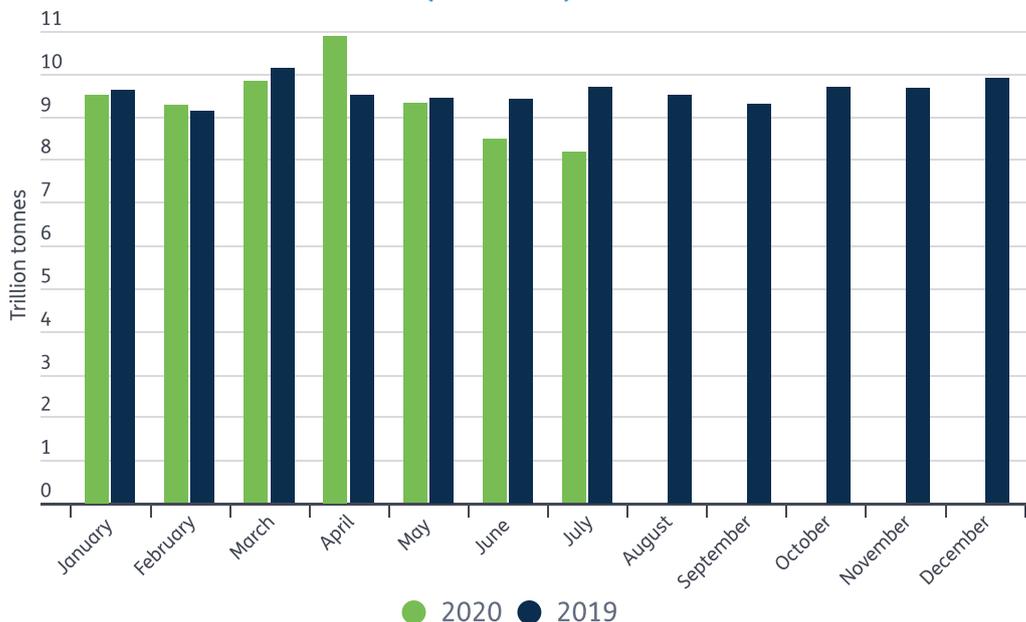
Global crude demand plunged to 8.17trn tonne-miles in July, down 18.6% compared to the same period last year, according to data compiled by Lloyd's List Intelligence. June was 11.1% lower month on month, analysis of its figures shows.

The steepest falls over June and July were recorded from the Middle East and West Africa, which rely mostly on very large crude carriers and suezmaxes to export crude to destinations primarily in Asia, Europe and the US.

Preliminary August data suggests that month-on-month drops in global tonne-mile demand will be of the same magnitude as July. Tonne-mile demand, which measures volumes carried by distance travelled, is seen as a proxy for demand for crude tankers.

Analysis shows that tankers shipping from countries that are members of the Organisation of the Petroleum Exporting Countries were employed on the

Global crude tonne-mile demand (trn tonnes)



Source: Lloyd's List Intelligence

most affected routes, while least tonne-mile disruption was seen for crude shipments from the US, Brazil and the North Sea.

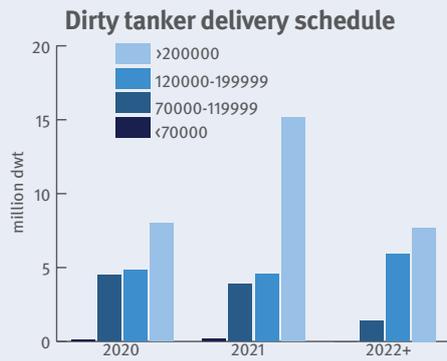
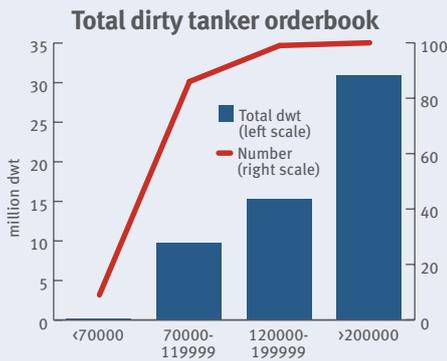
In the seasonally weaker third quarter, August rates for very large crude carriers plateaued to average \$10,400 daily, while suezmaxes were slightly higher at \$10,993, according to the London-based Baltic Exchange.

Aframaxes, at \$6,380 daily,

were barely above operating costs and most of these earnings for all tanker types were below owners' breakeven rates.

Spot rates were between 4.9% and 7% of the record levels achieved for tankers over April, when an oil price war between Saudi Arabia and Russia saw exports rise sharply, boosting tanker demand and pushing earnings to new highs.





Data from:

Lloyd's List Intelligence
Maritime intelligence | Informa

lloydlistintelligence.com

Demand for transport fuels quickly plunged by one-third thereafter at the height of the Covid-19 pandemic, while Opec countries and allies quickly introduced supply cuts to control oil prices that slumped 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.

Amid lower prices, China also ramped up purchases, with record imports and refinery runs over June and July.

The twists and tumbles seen through the prism of tonne-mile demand paint a story of two halves, in which tankers are caught up in the battle for market share between Opec and non-Opec countries.

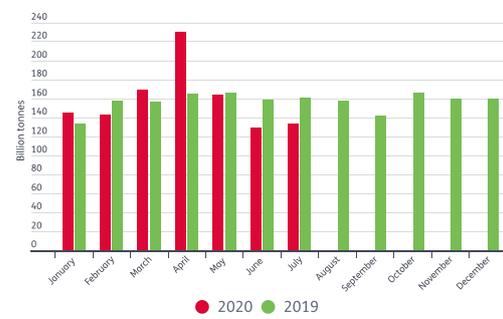
As Opec output reached 30-year lows, tonne-mile demand figures reflected non-members gaining market share at the expense of those in the cartel.

In the US and Atlantic trades generally, the falls were less extreme and the rebound swifter, especially for the US and Brazil.

Middle East crude tonne-miles for July were measured 15.7% lower on the prior-year period, with June levels down 19.2%, to 288.5bn.

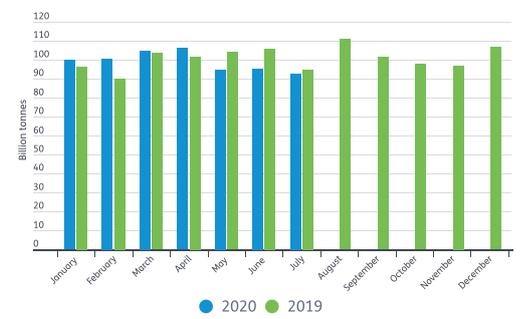
By contrast, tonne-mile demand from the US in July had already returned to near pre-pandemic levels, at 83bn tonne-miles for exports of 2.98m barrels per day. That is a 7% rise from July's 2019 level, although it was 10bn tonne-miles below

Saudi Arabia crude tonne-mile demand (bn tonnes)



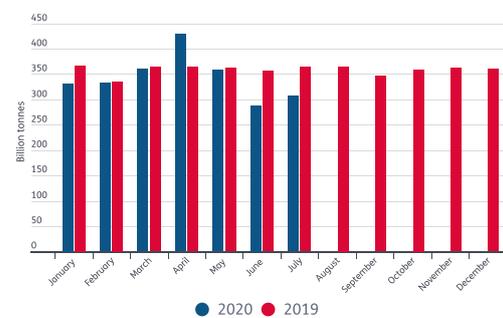
Source: Lloyd's List Intelligence

West Africa crude tonne-mile demand (bn tonnes)



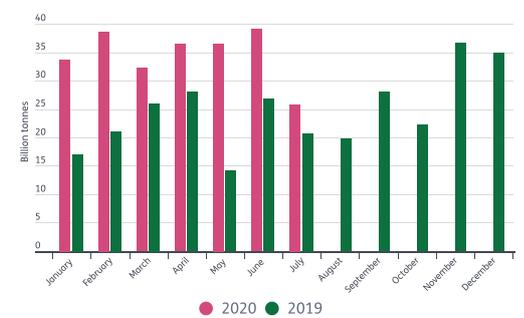
Source: Lloyd's List Intelligence

Middle East* crude tonne-mile demand (bn tonnes)



*Kuwait, Saudi, Iraq, UAE Source: Lloyd's List Intelligence

UK and Norway crude tonne-mile demand (bn tonnes)



Source: Lloyd's List Intelligence

March 2020 figures and 8.5% down from exports tracked by Lloyd's List Intelligence three months earlier.

Combined tonne-mile demand for Brazil and the US show numbers higher than 2019 volumes every month throughout 2020, despite the pandemic-induced cuts in exports.

Both countries exported greater volumes of crude than they did 12 months ago, even as shipments declined month on month over the second quarter and into the third quarter as demand fell.

Tonne-mile demand for the two countries increased

counterintuitively by 41% in April compared to the previous year and was the highest level seen in records going back to 2012.

Dubbed 'black April' by the International Energy Agency, this was the low point of the pandemic-induced demand falls.

Demand for Brazil and the US was tracked at 148.9bn tonne-miles in April, compared to 105.9bn tonne-miles a year earlier.

In the Middle East Gulf, Saudi Arabian tonne-miles over April were measured 39% higher than 12 months ago, as more than 10m bpd was tracked being shipped from the kingdom in a short-lived price war. That swiftly fell to multi-

year lows in June and July, when tonne-miles slumped year on year by 18% and 16%, respectively.

When adding Kuwait, Iraq and the United Arab Emirates, overall tonne-mile demand from the Middle East Gulf saw falls of a similar scale. Over May and June, some 4m bpd of exports were removed from the market, equivalent to 60 fewer very large crude carriers.

While tonne-miles dipped in the region, floating storage has remained persistently high globally since May. About 40% of tankers from panamax ships to VLCCs tracked at anchor for 20 days or more were located



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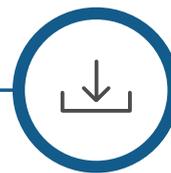
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The global active fleet of liquefied natural gas carriers comprised 576 vessels totalling 87.7m cu m as of early August, a 5.6% increase on its year-ago total, according to Lloyd's List Intelligence.

The LNG orderbook stood at 167 units, or just shy of 25m cu m of carrying capacity. Of this, 4.5m cu m is scheduled for delivery in the rest of 2020; 9.9m cu m in 2021; and 10.5m cu m in 2022 and beyond.

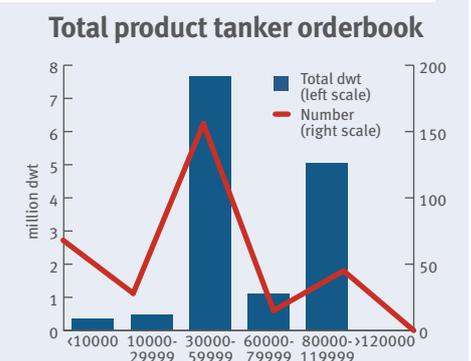
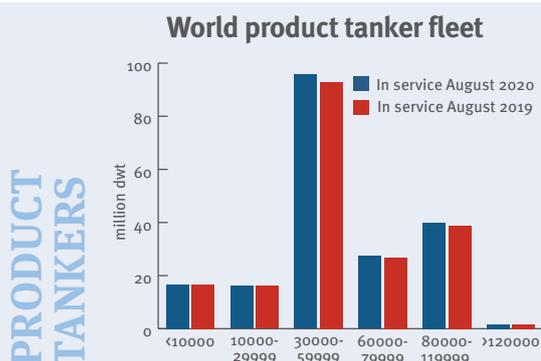
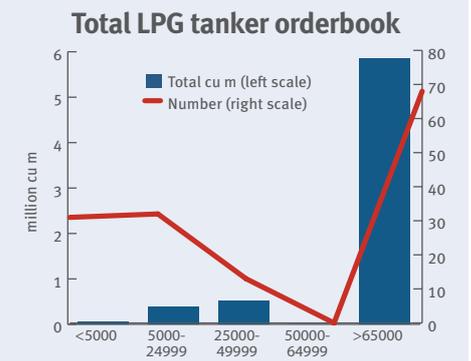
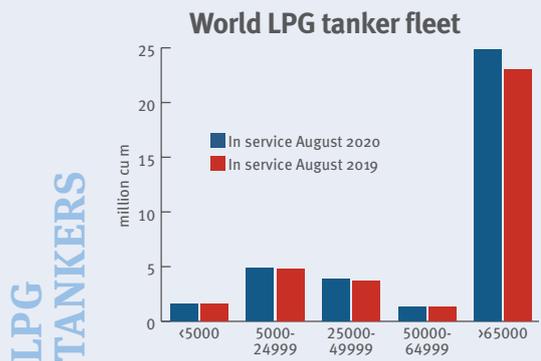
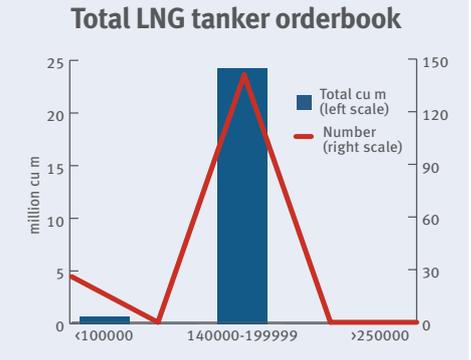
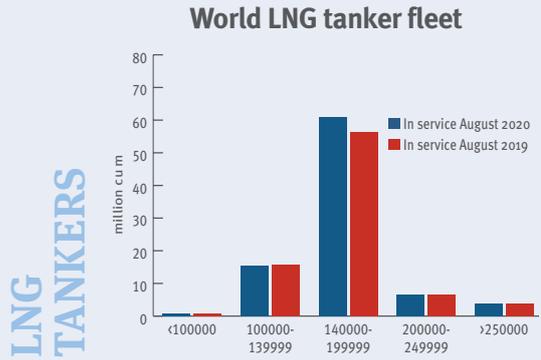
For liquefied petroleum gas tankers, the active global fleet was composed of 1,575 ships, with a carrying capacity of 36.5m cu m, up 5.9% on year.

The LPG orderbook is still dominated by very large gas carriers. Of the 144 vessels on order, 68 VLGCs, or 23.6% of the fleet, are due for delivery.

The global fleet of product tankers comprised 8,829 vessels with a carrying capacity of 197.2m dwt, a rise of 2.3%.

The product tanker orderbook stood at 362 ships, comprising 17.3m dwt: 172 MR vessels, 16 LR1s and 47 LR2s.

Data from:
Lloyd's List Intelligence
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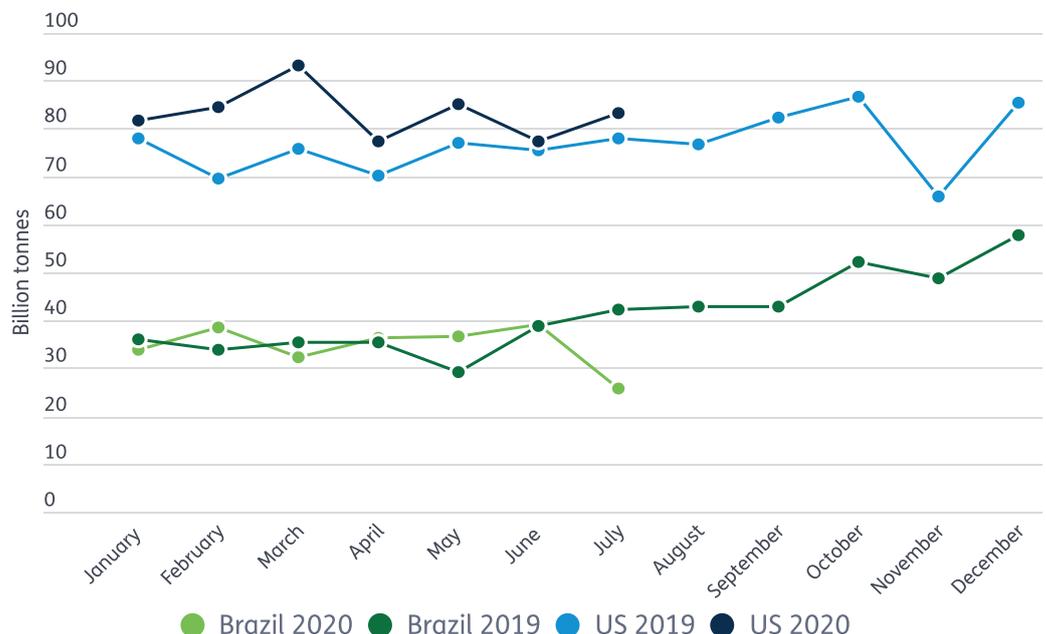
off China, after port and storage logistics were overwhelmed by record exports in June and July.

The pace and scale of unwinding floating storage is crucial to any earnings rebound in the fourth quarter, when refineries boost production of middle distillates, including gasoil for the northern hemisphere winter.

Yet inventory drawdowns may further hinder any ramp-up of tonne-miles in August, even though a further 2m bpd is estimated to be returning to global supply, measured at 9m bpd in June by the IEA.

Tonne-mile analysis shows that where rebounding crude demand is rising as well as volumes is another factor that will determine how earnings will perform in the final three months of 2020.

US and Brazil crude tonne-mile demand (bn tonnes)



Source: Lloyd's List Intelligence

The global box fleet moved up marginally in July on the month-ago period by around 0.4% to 22.8m teu, according to Lloyd's List Intelligence.

In July, 66,315 teu of capacity came off the ramps, which was dominated by two of HMM's 23,000 teu vessels, HMM Helsinki and HMM Hamburg.

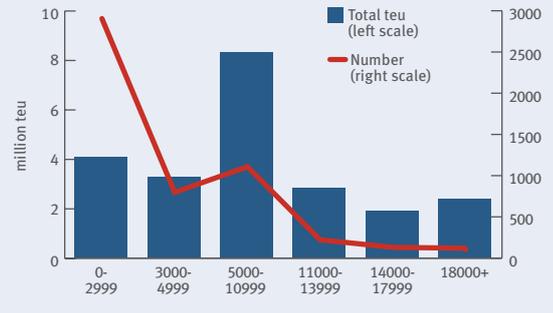
Costamare's 11,000 teu YM Triumph, built for charter to

Yang Ming, was also delivered, with the remainder comprising deliveries of sub-3,000 teu ships.

These newbuilds were offset in terms of the overall fleet number by 35,000 teu of capacity sent for scrapping in July.

Meanwhile, the dearth of orders continues, with total deliveries expected to reach just 660,000 teu this year, down 38% from 1.1m teu in 2019.

World active containership fleet



World boxship fleet update: Flattening the curve

Containerships on order now account for the lowest proportion of the existing fleet for decades and the lower growth rate could bring about supply-side stability, writes **James Baker**

The world containership fleet's steepening growth curve over the past decade appears to be flattening out.

The orderbook, which surged in the years following the global financial crisis, has fallen back to less than 10% of the existing fleet, according to some estimates.

"For the first time in more than 20 years, the global newbuilding pipeline thus fell below the 10% threshold," said Alphaliner.

The ratio had been coming down over the past few years, but that had been due to the ever-increasing size of the existing fleet, it added. However, this had now changed.

"The fact that the decline already began four years ago means that the ongoing coronavirus scare and its knock-on effects on the global economy and the container line trades are not solely to blame for the recent dry spell," Alphaliner said.

"Instead, it was the lingering overhang of unemployed tonnage that served as a deterrent to new orders. With the exception of some short peak-season weeks, there was hardly a moment in the past 10 years when there was not at least some inactive container tonnage."

World containership fleet July 2020*

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	%Total Fleet
0-2,999	2,905	4,102,321	198	370,461	47	66,513	2	3,291	247	440,264	10.7%
3,000-4,999	798	3,283,941	21	72,128	0	0	0	0	21	72,128	2.2%
5,000-10,999	1,108	8,312,333	9	48,900	0	0	0	0	9	48,900	0.6%
11,000-13,999	222	2,830,350	25	293,320	15	173,500	2	23,700	42	490,520	17.3%
14,000-17,999	130	1,908,899	15	225,528	15	227,784	12	178,256	42	631,568	33.1%
18,000+	120	2,406,760	22	487,530	6	137,000	10	232,176	38	856,706	35.6%
Total	5,283	22,844,604	290	1,497,867	83	604,797	26	437,423	399	2,540,086	11.1%

*Excluding newbuilding postponements and cancellations under negotiation

Source: Lloyd's List Intelligence

Yet the pandemic had also seen some expected orders not emerging, including those from Hapag-Lloyd and Ocean Network Express, both of which were understood to be in discussions with yards for ultra large tonnage.

According to analysts at Clarksons, one of the key differentiators between the current crisis and that of 2008-2009 is the lower level of ordering that was in place when demand fell off.

"Capacity additions to the containership fleet have been quietly easing back," Clarksons said. "At 9% of total fleet capacity, the containership orderbook looks manageable, in particular relative

to levels seen prior to the 2008-2009 market downturn.

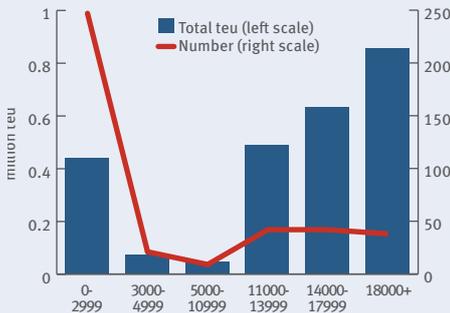
"This may help facilitate a swifter recovery in earnings once coronavirus containership demand impacts ease, although supportive supply-side trends are likely to remain overridden across this year as a whole."

A smaller orderbook necessarily meant fewer deliveries, and this too would help the market.

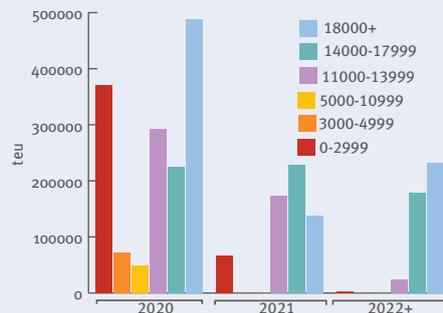
It said deliveries slowed in the first quarter, with disruption to Chinese shipyard output in the face of the initial coronavirus outbreak, and have remained subdued against the backdrop of uncertain market conditions.



Containership orderbook



Containership delivery schedule



Data from:

Lloyd's List Intelligence
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Total deliveries this year were expected to reach 660,000 teu, down 38% from 1.1m teu in 2019.

Data from Lloyd's List Intelligence showed 66,315 teu of capacity delivered during July, but this was dominated by two of HMM's series of 23,000 teu vessels, *HMM Helsinki* and *HMM Hamburg*.

Other than Costamare's 11,000 teu *YM Triumph*, built for charter to Yang Ming, the remainder of the deliveries were vessels of less than 3,000 teu.

As with shipbuilding, demolition also saw a slowdown during the first half of the year, as beaching yards in South Asia were closed to fight the pandemic.

This has since picked up again, following the easing of restrictions and Lloyd's List Intelligence recorded more than 35,000 teu of capacity sent for scrapping in July.

"Considerable uncertainty remains, but scrapping in full-year 2020 is currently projected to reach 360,000 teu, almost twice 2019's total," said Clarksons.

The additional demolition will be necessary if the fleet growth curve is to remain flat, as tonnage will still have to come out of the market or it will end up sitting idle.

While the amount of idle capacity has fallen from its peak during May, one broker said "significant capacity is still sitting idle" while new tonnage was being delivered — albeit at a slower rate.

"We are hence not very positive considering that coronavirus will likely also impact 2021 negatively," the broker said.

Nevertheless, it was confident that continued demolition activity

“We are thus very optimistic about market developments from 2022 onwards. The orderly and prudent management of capacity that the liner operators have shown in the past three to four months appears to be a very nice illustration of what positive results a balanced market can bring about”

and lack of ordering would affect the market balance positively.

"We are thus very optimistic about market developments from 2022 onwards.

"The orderly and prudent management of capacity that the liner operators have shown in the past three to four months appears to be a very nice illustration of what positive results a balanced market can bring about."

This will be come as a relief to non-operating owners, who have borne the brunt of lay-ups and seen charter rates slump for those vessels that have been employed.

"For tonnage providers, the hope is that as liner companies gain confidence in the return of volumes, they will add capacity back into their networks," said analysts at Maritime Strategies International.

"Recent weeks have been encouraging, at least for mid-size and larger benchmarks, as a chartering spree has greatly reduced the number of spot units and placed upward pressure on time charter earnings," it said.

MSI warned that the industry supply side would not offer much support in the near term, although a strong recent rebound in demolition volumes will help ease pressure in certain fleet segments.

"The supply side does overall remain supportive, however.

"For all that liner consolidation and co-operation has been a game-changer, during each of the last appreciable demand slowdowns, fleet growth was above 6%. That fleet growth will be sub-3% in 2020 has made a huge difference," MSI added.



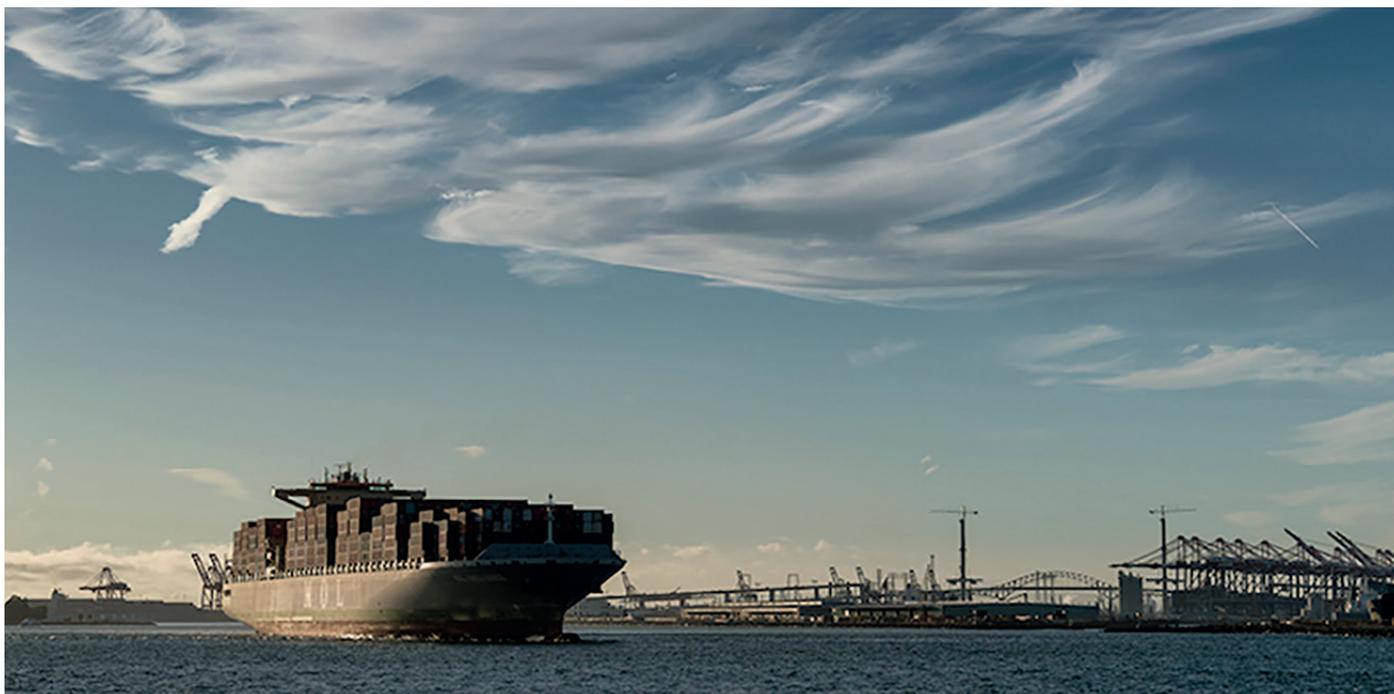
Boxships lead scrubber installations

The percentage of the containership fleet with scrubbers fitted is now higher than that of crude tankers. Yet the fuel cost spread means the payback time for scrubber installations and retrofits has been extended

<http://lloydslist.maritimeintelligence.informa.com/LL1133511>



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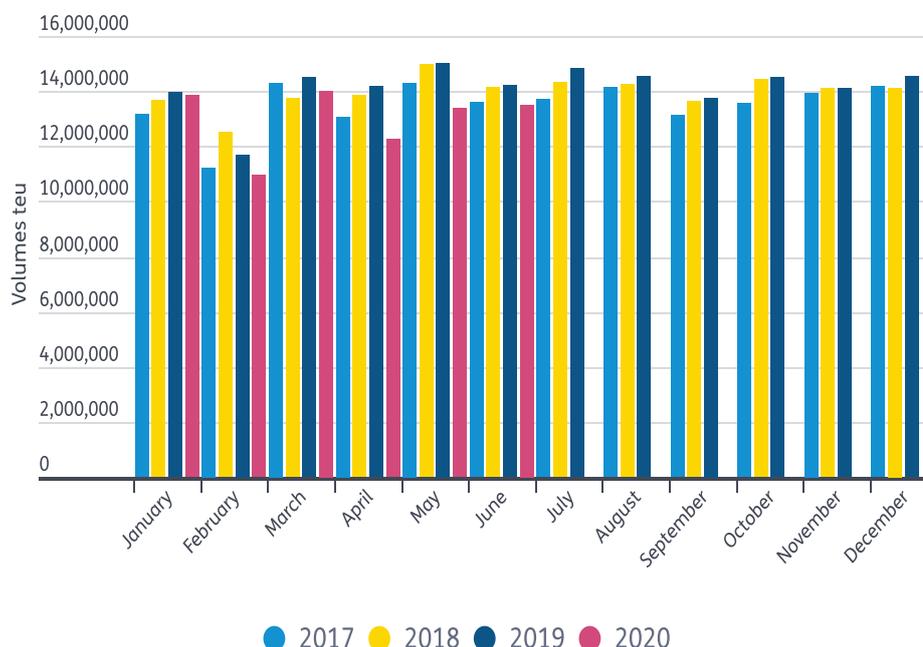


US west coast capacity is continuing to grow despite the ongoing pandemic.

Freight volumes show signs of recovery

June volumes were higher than in May and the corresponding month last year. Figures for the first six months of 2020 remain sharply down, **James Baker** reports

Container trade volumes (2017-2020)



Global containerised freight volumes ticked up a notch in June in signs that the impact of the global pandemic may be relenting, albeit slowly.

Figures released by Container Trades Statistics show a 1% increase in volumes in June from a month earlier to 13.5m teu.

This is below the monthly growth figure seen in May, but that reflected the evisceration of demand that had occurred in April.

June figures are usually lower than those for May due to changes in seasonal demand, so an improvement in the numbers was a good sign, CTS said.

“With demand for container shipping taking a huge knock as consumer spending has plummeted, surely things can only get better from here.”

Yet while the second-quarter figure of 39.2m teu was marginally up on the first quarter, volumes remained at just under 10% of the corresponding period in 2019.

Source: Container Trades Statistics

Box port throughput begins stabilising

Ports are showing signs that the worst impacts of the coronavirus pandemic are retreating, *writes James Baker.*

The bi-weekly Port Economic Impact Barometer in early August showed a progressive improvement in three of the four survey questions asked of the world's ports.

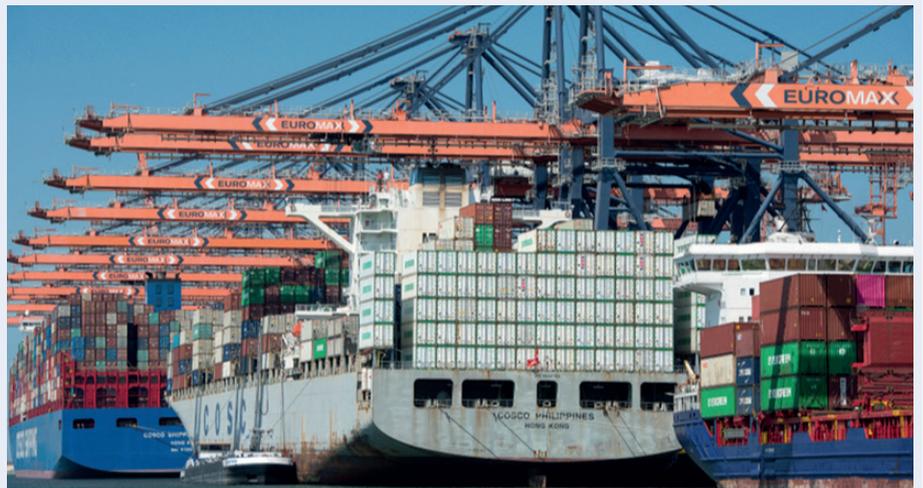
"With generalised lockdowns now limited, the return of vessels and the lower numbers of blank sailings continue, although at a slow pace," the report said.

"For the first time since starting the measurements, the percentage of ports reporting that the number of containership calls corresponds to a normal situation has exceeded the 50% threshold."

Some ports that had experienced a decline in the number of containership calls reported that further improvement was emerging, with several certain they would soon return to similar numbers of ship calls as in the corresponding period last year.

"At the same time, maritime trade volumes have also started to increase, as several economies, or major parts of them, have returned to operations and increased number of transactions," the report said.

The report, which is produced by the International Association of Ports and



Rotterdam's container volumes were down by 7% in the first half of 2020.

Harbors in conjunction with the World Ports Sustainability Project, coincides with similar statements from a number of individual container ports.

Rotterdam, Europe's largest container hub by capacity, reported throughput for the first half of the year that showed a steep fall in volumes during the peak of the pandemic. It reported a 7% decline in volumes in the first six months of 2020, after losing 20% of its scheduled services in May and June.

"On the positive side, the throughput volumes in the second quarter turned out

to be better than initially expected," said Port of Rotterdam Authority chief executive Allard Castelein.

Antwerp, in Belgium, had a similar experience, but even managed to increase volumes during the first half of the year.

"Container traffic increased in the first quarter of the year, but from April onwards, [it] felt the effects of cancelled sailings," the port said.

"Nevertheless, container throughput recorded a slight increase of 0.4% in the period January–June 2020 compared to the same period last year."

The 78m teu lifted so far this year is also 6.8% down on the first half of 2019.

Despite this, freight rates continued to hold up in June, CTS said. Its price index held steady at 71, up five points for the second successive month.

"In spite of everything, carriers seem to be showing great resilience," CTS said.

"Schedule adjustments and lower oil prices have surely helped. The future remains uncertain — but for the moment, the lines seem to be weathering the storm."

All-time high

The figures came as consultancy Sea-Intelligence reported continued bullishness on the transpacific trade, which saw the Shanghai Containerised Freight Index leap to an all-time high in July as increased demand pushed up freight rates.

Moreover, carriers are continuing to add capacity to the trade lane, despite few signs of improvement in US economic indicators.

Third-quarter Asia-North America west coast capacity is scheduled to grow 8.4% this year, while capacity to the east coast is set to grow 12% — both record growth rates since the 2010 rebound from the global financial crisis.

"Under a reasonable assumption that carriers are not suddenly going to be heavily underutilised, this must be backed by volume expectations," Sea-Intelligence said.

However, at the same time, it warned that the increase in volumes was partially due to the overly tight capacity constraints that carriers applied during the second quarter, which had left cargo rolled.

And comparisons to last year's third quarter had to be tempered by the fact that the market contracted during the period, as the impact of the trade dispute between China and the US took its toll on the peak season.

Additionally, capacity was not being reinstated at the same pace on other trade lanes, including those to Europe, where the pandemic has been better controlled.

Peak-season capacity on the Asia-Northern Europe trades is on course to contract by 0.5% this year, while Asia-Mediterranean capacity will be down by 9.2%.

"Either the carriers are not yet optimistic of a demand pick-up on the Asia-Europe trade, or they are currently sailing underutilised and any demand pick-up will fill up the existing vessels," Sea-Intelligence said.



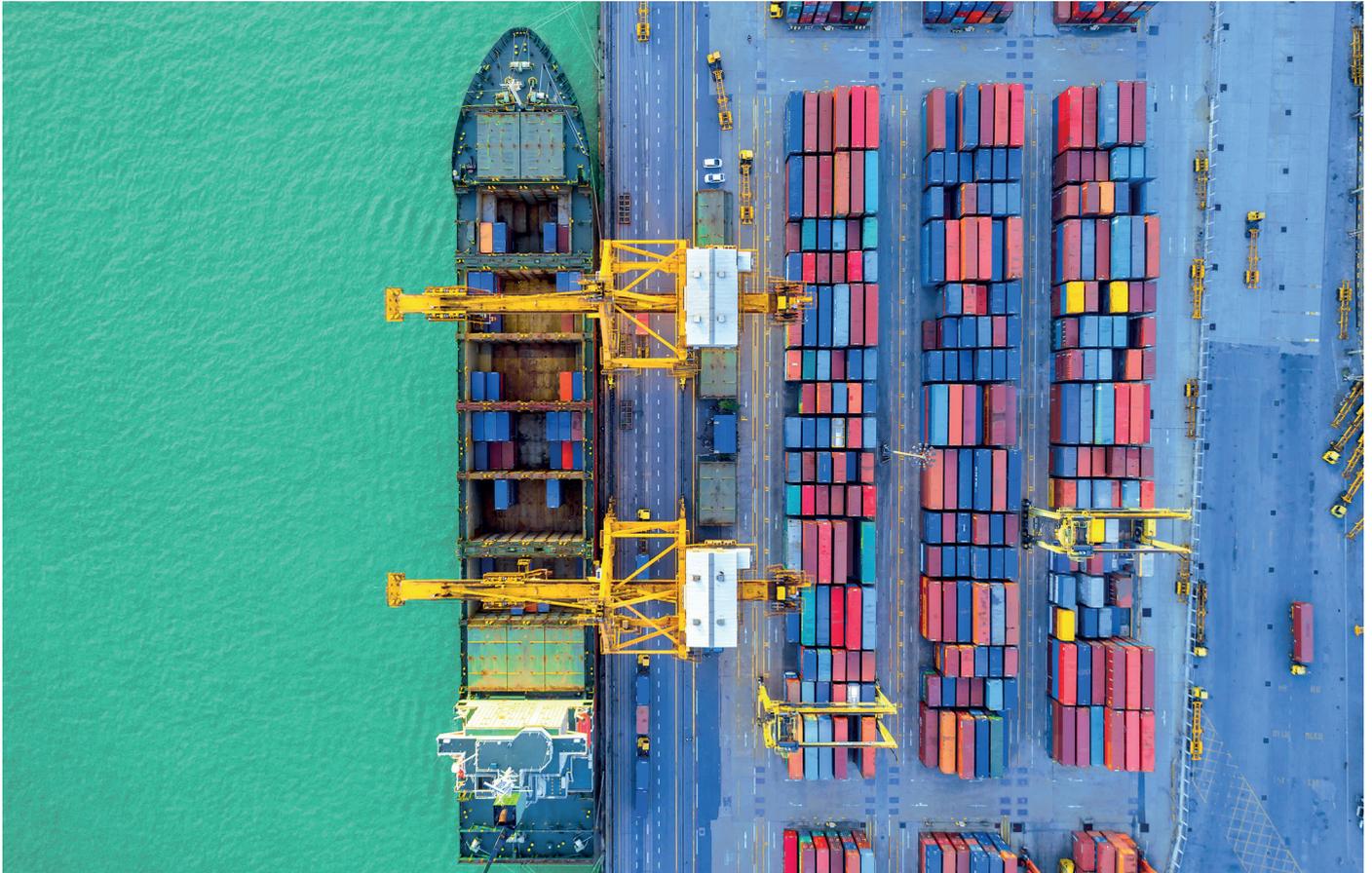
Container Trades Statistics Ltd (CTS) has been reporting teu volumes and price indices since 2008.

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



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The coronavirus pandemic is seemingly becoming less of a concern, as shown by the lower number of blank sailings.

Carriers up third-quarter capacity in anticipation of volume recovery

Carriers are aggressively reintroducing capacity, particularly on the transpacific, as the likelihood of a demand resurgence grows, writes **Alan Murphy** as part of Sea-Intelligence’s regular analysis for Lloyd’s List magazine

Although the coronavirus pandemic is still in the headlines, with fears of an incoming second wave, it is seemingly becoming less of a concern within the realm of container shipping and the supply-side planning of shipping lines.

This is evident by the lower number of blank sailings; very high year-on-year capacity growth for the third quarter of 2020; and the aggressive reinstatement of previously blanked sailings in recent weeks, with a demand resurgence looking increasing likely – especially on the transpacific.

Figures 1-4 (opposite) show the number of blank sailings in weeks five to 44, both actual past blank sailings and those scheduled at the time of writing (August 14) on the transpacific and Asia–Europe trade lanes.

To distinguish between ‘normal’

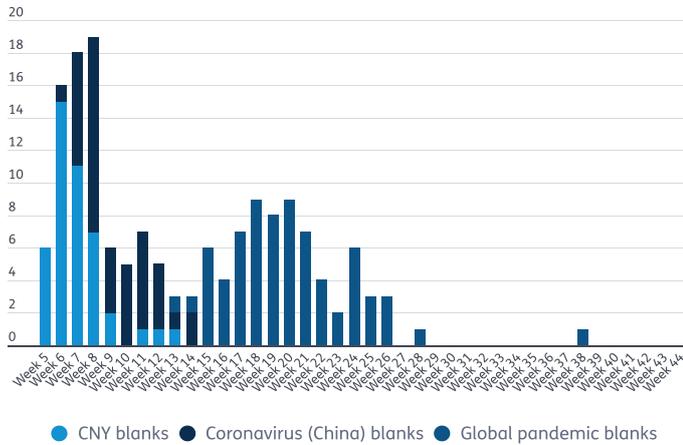
Chinese New Year (CNY) blank sailings and those attributable to the pandemic, we have designated all blank sailings announced or scheduled before CNY on January 25 as CNY blank sailings.

Blank sailings announced from CNY until March 13 are labelled as ‘Coronavirus (China) blanks’, as these were mainly caused by supply-side disruption in China and neighbouring countries.

Blank sailings announced after March 13 have been labelled ‘Global pandemic blanks’, as these blank sailings were caused by a drop in demand in destination regions, rather than a shortage of production in China.

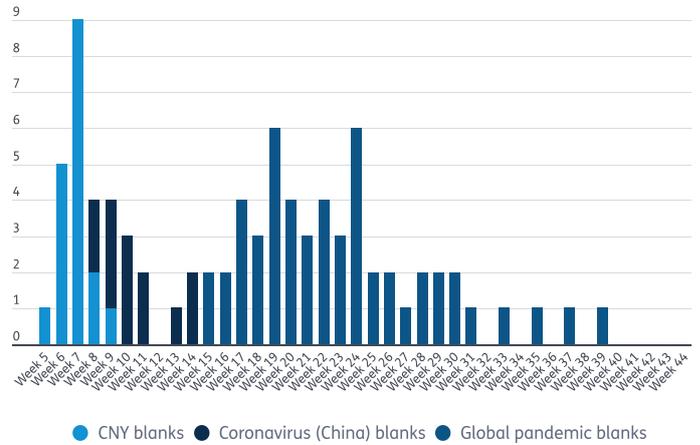
On the transpacific, blank sailings have come to a standstill in recent weeks, with only one blank sailing scheduled after week 34 on the Asia–North America west coast and three on Asia–North America east coast.

Figure 1: Blank sailings (Asia-NAWC)



Source: Sea-Intelligence

Figure 2: Blank sailings (Asia-NAEC)



Source: Sea-Intelligence

On Asia-Europe, however, carriers are still blanking sailings, but these are in the form of service suspensions attributed to 2M's AE2/Swan on the Asia-Northern Europe trade and AE20/ Dragon on the Asia-Mediterranean.

However, from week 40 and onwards (Q4 2020), there are no blank sailings on either trade lane, as 2M has not yet made an announcement on the aforementioned service suspensions beyond the third quarter.

If the suspension continues, there will be a baseline of one blank sailing on each Asia-Europe trade lane in the fourth quarter as well.

Peculiar pattern

In the middle of the pandemic blank sailings, a peculiar pattern in both the timing of announcements in blank sailings and the share of the alliance capacity being blanked emerged, whereby it looked as if Ocean Alliance was blanking less than the other alliances — seemingly using the pandemic to steal market share.

Digging into it, we found out that capacity market shares had been relatively flat and Ocean Alliance was not, indeed, stealing market share. The explanation was in the differences in average vessel sizes. 2M and The Alliance were increasing their average vessel sizes, while Ocean Alliance was keeping it steady.

The 'extra' blanked capacity share from 2M and The Alliance was effectively cancelling out a capacity injection, due to the increased vessel sizes.

However, when we looked at the sub-component trade lanes, there were some interesting observations.

Focusing on just 2020, Figure 5 (on page 50) shows the alliance capacity market shares on the Asia-North America west coast trade lane, while Figure 6 (on page 50) shows the same for the Asia-Northern Europe trade lane.

After the initial volatility due to coronavirus, 2M is increasing capacity market share on Asia-North America west coast, seemingly at the expense of Ocean Alliance.

On the Asia-Northern Europe trade, however, The Alliance seems to be gaining capacity market share from 2M. The slight increase for 2M at the end of the period will be wiped out if it announces an extension to AE2/Swan's current suspension.

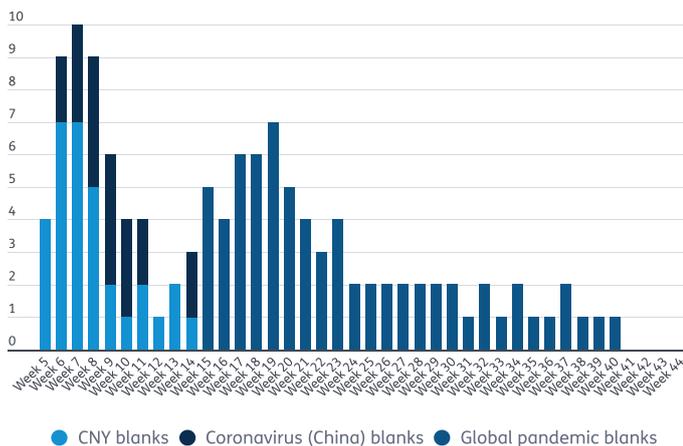
Capacity deployment

With the currently low level of blank sailings, what does this mean for third-quarter capacity deployment?

Carriers' capacity deployments in the three-month period are currently slated to outpace 2019 by a considerable margin on the transpacific; are slightly higher on Asia-Northern Europe; and are contracting by a considerably higher margin on the Asia-Mediterranean trade.

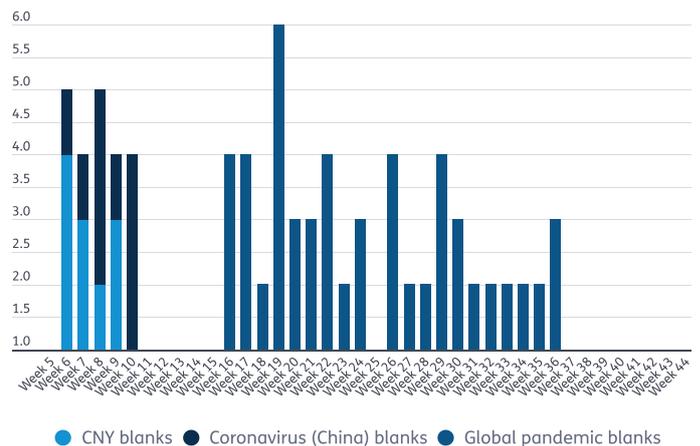
Figure 7 (on page 50) shows the third-quarter, peak season, year-on-year changes in capacity on the transpacific and Asia-Europe trades, with the 2020 outlook based on scheduled capacity in week 33 and how it looked at the start of August (week 31).

Figure 3: Blank sailings (Asia-Northern Europe)



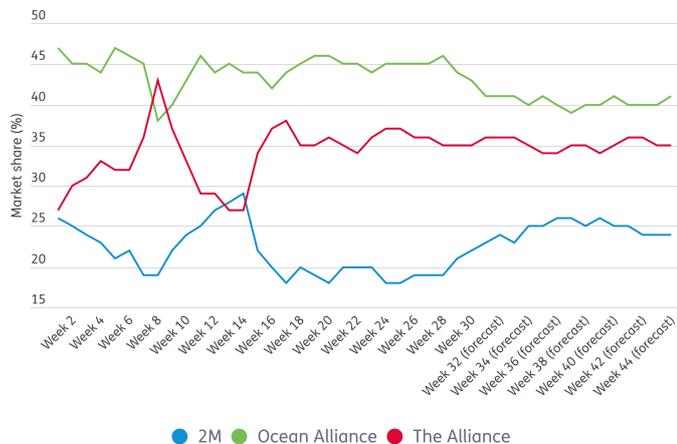
Source: Sea-Intelligence

Figure 4: Blank sailings (Asia-Mediterranean)



Source: Sea-Intelligence

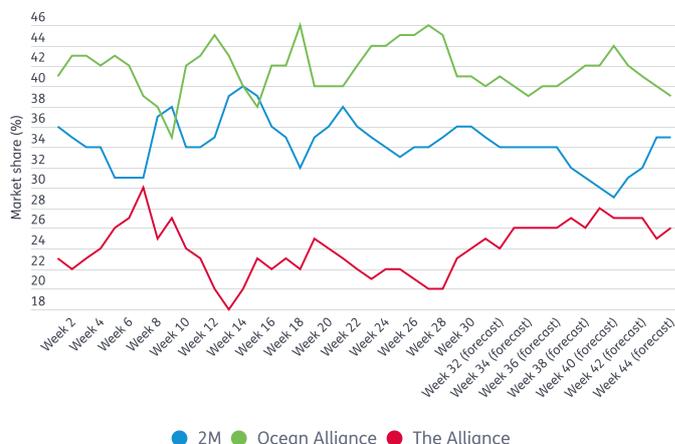
Figure 5: Asia-NAWC capacity market share*



*Weeks 1-31 represents actual deployed capacity; and Weeks 32-44 expected

Source: Sea-Intelligence

Figure 6: Asia-Northern Europe capacity market share*



*Weeks 1-31 represents actual deployed capacity; and Weeks 32-44 expected

Source: Sea-Intelligence

On one hand, we can see how bullish the carriers are in terms of capacity deployment for the third quarter and how optimistic they are for a positive demand scenario; on the other, we can also see how aggressively they are upping the capacity on some trades from just a few weeks earlier.

Asia-North America trade

The Asia-North America west coast trade is slated to grow by 10.1% in the third quarter against last year, up by nearly two percentage points since week 31, while the Asia-North America east coast trade is slated to grow 12.6%, up by 0.6 percentage points from week 31.

This is the first time in the analysed period that both transpacific trade lanes are seeing double-digit, year-on-year growth.

On the Asia-Europe trade, carriers are less optimistic, as Asia-Northern Europe

is slated to grow 1.1% in the third quarter of 2020, up from a -0.5% contraction as of week 31.

The Asia-Mediterranean, on the other hand, recorded no change in the third-quarter outlook through to week 31, and is still slated to contract by -9.2%.

The carriers may not be wrong in their optimism when we look at the most recent demand-side data.

Figure 8 (below) shows the January-June 2020 annual changes in Container Trade Statistics' demand data on both a global level, as well as for imports into North America and Europe.

We can see that the peak pandemic impact was in April (except for in North America, where we saw a further contraction in May), followed by a very drastic improvement in May/June, with the rate of decline cut in half in June.

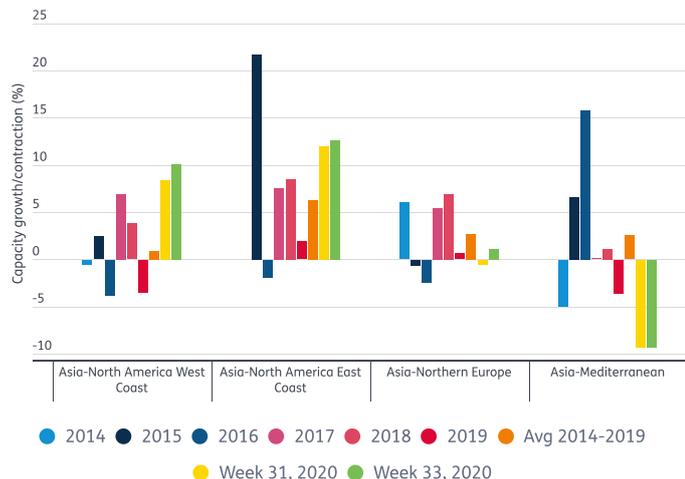
Global volumes 'only' declined by 5.1% in June against last year, while North American and European imports contracted by 5.8% and 4.9%, respectively.

This improvement was also corroborated when we looked at North America west coast port volumes, as laden imports declined by 'only' 7.3% year on year in June 2020 from a peak of -17.9%; and total throughout declined by 9.8% from a peak of -18.7%.

While the improvement is clearly visible — and possibly the reason for the optimistic capacity scenario on the transpacific trade — we must not lose sight of the fact that the impact of coronavirus on the first half of 2020 has been dire and the global market still lost 5.7m teu compared to the first six months of 2019.

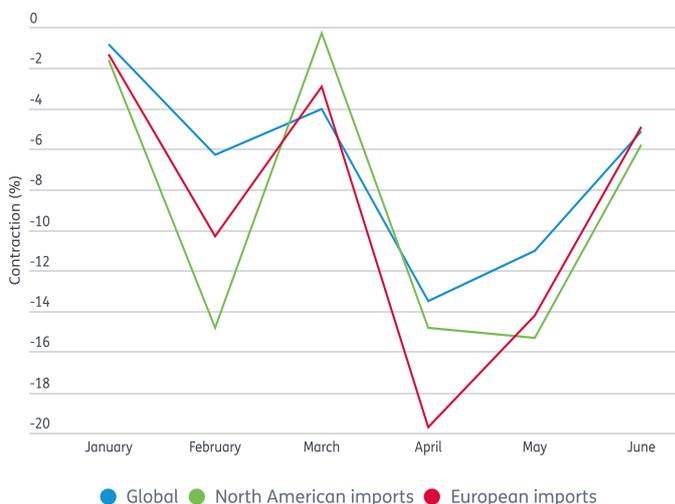
Alan Murphy is chief executive of consultancy firm Sea-Intelligence

Figure 7: Transpacific and Asia-Europe third-quarter capacity growth/contraction



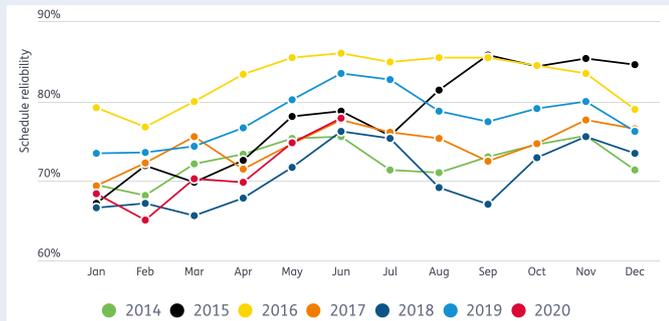
Source: Sea-Intelligence

Figure 8: Year-on-year demand contraction



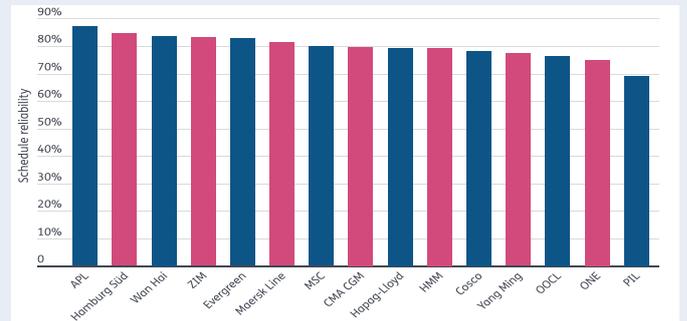
Source: Sea-Intelligence

Figure 9: Global schedule reliability



Source: Sea-Intelligence

Figure 10: Global top 15 carrier ranking (June 2020)



Source: Sea-Intelligence

Schedule reliability in June 2020

Apart from the schedule reliability drop in February — which is consistent with the seasonal Chinese New Year fall — it seems as if the pandemic did not materially impact the figures.

We recorded a month-on-month increase in March, May and June, with the June figure reaching 77.9% — 13 percentage points higher compared to February 2020.

After doing extensive analysis, seeing no material change in transit times and seeing service-wide improvements, we concluded that carriers were simply finding it easier to maintain schedule integrity with fewer vessels per service string.

However, with limited to no blank sailings on the horizon and with carriers increasing capacity considerably in the third quarter due to an expected demand pick-up, it will be interesting to see if schedule reliability drops in July and August — or if carriers continue to maintain the upward trend in schedule reliability.

That said, the average delay for ‘late’ vessel arrivals has been consistently high during the coronavirus pandemic, hovering between 4.63 and 5.33 days, which is the highest in the analysed period.

This was only trumped by the January to March 2015 figures, on account of the US west coast labour dispute. This means even though carriers are better at maintaining

schedule integrity, when vessels are late, they are considerably more delayed.

In terms of the individual carriers, APL was the most reliable top-15 carrier in June 2020, with schedule reliability of 87.1%, followed by Hamburg Süd with 84.4% and Wan Hai with 83.6%. Another three carriers recorded schedule reliability of more than 80%, while four carriers recorded schedule reliability of 79% to 80%.

After a couple years of being at the bottom of the rankings (every month since April 2018, except for July 2019), Yang Ming pulled itself up in May 2020.

Meanwhile, for the second consecutive month, PIL was the least reliable global carrier, with 69% schedule reliability in June.

Of the 15 carriers, 13 recorded a month-on-month improvement in schedule reliability in June 2020, with Zim and Hamburg Süd the only carriers to record monthly declines — albeit of less than one percentage point.

Wan Hai and APL recorded the largest improvements of 8.8 and 8.6 percentage points, respectively. On a year-on-year basis, only Yang Ming recorded an improvement — albeit a low 0.3 percentage points.

PIL and HMM were the only two carriers to record double-digit annual declines in schedule reliability of 10.4 and 12.5 percentage points, respectively.

In line with the trend we have seen so far, the industry schedule reliability on the east-west trades also improved month on month, by 6.7 percentage points to 82.9%, which was the highest it has been since July/August 2019.

All three carrier alliances also had an upwards schedule reliability trend. 2M was the most reliable carrier alliance in May/June 2020, with 86.3%, followed by Ocean Alliance with 81.9%.

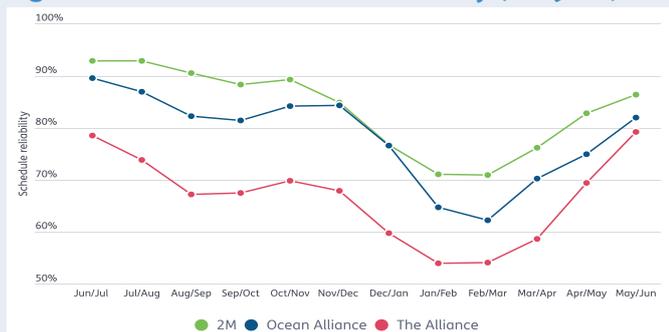
The Alliance was the least reliable carrier alliance with 79.2%, but the gap between The Alliance and Ocean Alliance is the smallest it has been since the launch of these alliance networks in April 2017.

In May/June 2020, schedule reliability improved year on year on five out of the six main east-west trades, with Asia-Mediterranean the only one recording a decline, although it was a relatively small — 1.2 percentage points.

Both transpacific trades recorded double-digit year-on-year improvements, with the Asia-North America west coast trade improving by 12.2 percentage points and Asia-North America east coast improving by 16.3 percentage points.

Both transatlantic trades also recorded year-on-year improvements, although not as high as on the transpacific trade.

Figure 11: Alliance schedule reliability (2019-20)



Source: Sea-Intelligence

Figure 12: Trade lane schedule reliability change



Source: Sea-Intelligence



The majority of the top 20 container ports are expected to experience higher year-on-year growth in the third quarter of 2020.

Changing lanes: Carriers' Covid-19 capacity strategies

While capacity has been withdrawn significantly on the major east-west trades, carriers have moved to up their offering on regional trades and most notably intra-Asia, **Antonella Teodoro** reports

At the beginning of April, there were one million confirmed coronavirus cases worldwide. Lockdowns were enforced in many countries.

Four months later (at the time of this analysis), when the number of confirmed

cases exceeded 18m and new infections detected on July 26 alone reached the highest single-day total since the start of the pandemic, lockdowns have eased.

The world will not be Covid-19 free until a safe and effective vaccine is available to

everyone. However, the pressure to return to some sort of normality is mounting – albeit with necessary precautions in place.

A confirmation of life returning to some normality has been provided by the shipping lines' move to significantly decrease the number of blank sailings for the months ahead.

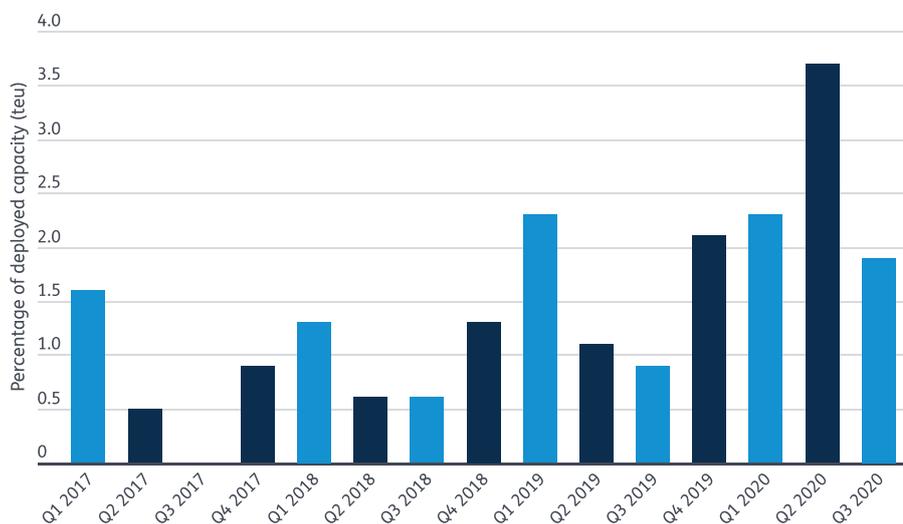
Figure 1 (left) shows the blank sailings as a percentage of the total scheduled deployed capacity in the past 15 quarters.

What is more interesting, however, is 'where' shipping lines are deploying capacity. Our most recent data spread shows an increasing interest in the intra-regional markets, particularly intra-Asia.

With more than 28m estimated loaded teu and a share of circa 18% of the global maritime containerised trade estimated for 2019 (up from the 16.5% estimated the previous year), the intra-Asian region is attracting the most attention between shipping lines.

Geneva-based carrier Mediterranean Shipping Co is among the latest to announce plans to increase its service offering in this area.

Figure 1: Scheduled blank sailings as percentage of capacity

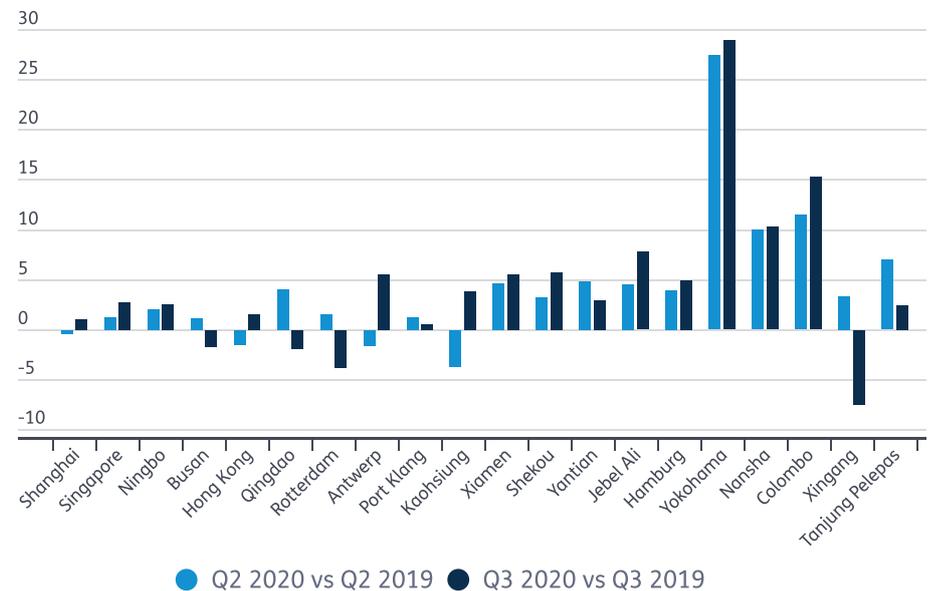


Source: MDS Transmodal, Containership Databank August 2020

Intra-Asia new services/modifications

- At the start of August, MSC began the new Seahorse service operating between China, Taiwan and Southeast Asia, deploying four ships averaging 3,200 teu and a total deployed capacity of 166,000 teu;
- Ocean Network Express also expanded its China to Southeast Asia coverage through slots on KMTC/TS Lines/Yang Ming – CVT/CTX and the SITC – SVT1 services, deploying three vessels of 1,750 teu and 1,000 teu, respectively, on each service;
- Inter-Asia/Wan Hai – TVT service began in August, linking Taiwan with Thailand and Vietnam, deploying two vessels of 1,850 teu, with an annual deployed capacity of 96,200 teu;
- Sealand – IA68 was introduced in June 2020, connecting Korea and China with Vietnam, with three ships of 1,700 teu and total annual deployed capacity of 90,500 teu;
- CNC Line/Gold Star/TS Lines – CVC began in late April 2020, connecting China with Cambodia and Vietnam, deploying three vessels of 1,770 teu and annual deployed capacity of 91,900 teu;
- In March 2020, Sealand enhanced coverage between China and Indonesia through modification of the Sealand – IA5 service, which operates with six ships averaging 1,700 teu, deploying 89,000 teu of capacity.

Figure 2: Liner Shipping Connectivity Index year-on-year comparison (Top 20 ports)



Source: MDS Transmodal, Containership Databank August 2020

“
The will to return to pre-Covid-19 activity levels is there. The hope among carriers is that the virus will not prevent that from happening
”

Signs of improvement are also emerging on MDS Transmodal's Liner Shipping Connectivity Index (LSCI).

The majority of the top 20 container ports are expected to experience higher year-on-year growth in the third quarter of 2020, as shown in Figure 2 (above).

The improvements in the LSCI, which is produced in collaboration with UNCTAD, are mainly driven by an increase in ship size, leading to a rise in the deployed capacity on offer.

Willingness for more capacity

When viewing the near future and the ships on order, lines seem to be confirming a willingness to return more capacity to the container shipping market.

Looking at our most up-to-date data, we estimate an increase of more than 6% of total fleet capacity (teu) by the end of 2021 and a further increase of circa 2% in 2022 (see Table 1, left).

We also expect the percentage of ships with a capacity of 15,000 teu or more to increase the most (21.8% by 2021).

The will to return to pre-Covid-19 activity levels is there. The hope among carriers is that the virus will not prevent that from happening.

Antonella Teodoro is a senior analyst at MDS Transmodal

Table 1: Fleet capacity

	Ship size (teu)	Current (Q3 2020)	Capacity (Q4 2021)*	Capacity (2022 Q4)*
Fleet capacity (m/teu)	0-5,000	7.4	7.7	7.7
	5,000-7,499	3.1	3.2	3.2
	7,500-9,999	4.4	4.4	4.4
	10,000-12,499	1.6	1.8	1.9
	12,500-14,999	3.3	3.4	3.5
	15,000+	3.4	4.2	4.5
Total fleet capacity (m/teu)		23.1	24.6	25.0
No. of vessels	0-5,000	3,670	3,827	3,833
	5,000-7,499	524	524	524
	7,500-9,999	497	497	497
	10,000-12,499	170	174	174
	12,500-14,999	248	253	253
	15,000+	220	236	236
Total no. of vessels		5,256	5,486	5,517

*Estimated

Source: MDS Transmodal, Containership Databank August 2020



Shippers must speak up for stranded seafarers

Shippers of containerised freight are wrong to regard the crew repatriation crisis as someone else's problem

Cargo owners in the container trades have a quite different relationship with shipowners and operators than those in the bulk markets.

In the latter, whole ships are chartered, while beneficial cargo owners and freight-forwarders in the box trades buy slots for their containers rather than hire the whole vessel.

That may be one explanation why shippers of containerised freight have been reluctant to get involved in the crew repatriation crisis, which has left thousands of seafarers stuck at sea because of coronavirus-related disembarkation and travel restrictions.

They may also think the big global container lines are in a better position to organise crew changes, with their strong local connections at key hub ports where crew changes would take place, and financial resources to organise flights for homebound and incoming personnel.

In truth, neither cargo interests in the bulk nor containerised trades emerge well from this emergency, seemingly concluding that crewing matters are not their responsibility. Their argument appears to be that they are simply the customers — and it is up to shipowners, operators, managers and crewing agents to find a solution.

And so, in normal times, it should be — but these are not normal times and those turning their back on the men and women at sea who make sure the global economy and international trade continue to function should think again. For they are the ones who could make a difference.

That is particularly true in the container trades — effectively the retail side of the industry — where the merchandise shipped is sold in shops, supermarkets and department stores all over the world. A few words from a high-street brand name could be all that is needed.

So why is that not happening?

Those who understand the inner workings of the container trades point out that the more distant contractual relationship between shipper and



Egenny Shulin/Shutterstock.com

Those turning their back on the crews at sea who make sure the global economy and international trade continue to function should think again.

shipowner than in the bulk business could be one reason; while shippers are often reluctant to get involved in politics for any number of reasons.

In the US, it may be concern about a backlash when drawing attention to the high volume of imports from China at a time of such strained relations between Washington and Beijing.

Yet cargo owners are more than happy to promote their environmental credentials when explaining to their customers — the general public — what actions they are taking to reduce transport-related pollution. So they do take a direct interest in the ocean carriers they use beyond schedule reliability and freight rates.

Humanitarian issue

Furthermore, the plight of seafarers is not so much a political issue as a humanitarian one.

These big global companies have the ear of politicians and decision-makers in the way that most shipowners do not. However, if they are reluctant to speak out on an individual basis, then shipper associations and councils — which have never been shy in the past about taking a stand — should start lobbying for action.

First, though, it may be up to container lines — which have close relations with their customers, even if on a different basis than in the wet and dry bulk trades — to ask beneficial cargo-owners and forwarders to back industry-wide efforts to find a solution.

It is hard to see what there is to lose, but easy to recognise what there is to gain.

Lloyd's List

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