Southampton SOLENT University

Global Maritime Weekly Digest

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*The **Global Maritime Weekly Digest**, based at **Southampton SOLENT University**, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

Contents

Editorial comments

- An increasing pace of ***ordering new ships*** has been seen in the first half of this year (item 1). Newbuilding orders for crude oil carrying tankers were prominent, with very large crude carrier (vlcc) contracts especially notable.
- According to a survey by a major law firm of ***attitudes to investment in shipping*** (item 2), two-fifths of the respondents, the biggest proportion, identified a merger or acquisition, or alternatively the formation of a joint venture, pool or alliance as the optimal investment opportunity currently.
- In the same survey ***availability of finance*** for the global shipping industry was seen as a key concern for the future, with two-fifths of respondents fearing that finance would become more difficult to obtain over the next five years.
- Vulnerability to disruption of trade at major ***maritime chokepoints*** has been highlighted in a new analysis by Chatham House (The Royal Institute of International Affairs) just published (item 3). The study looks at world food trade, focusing on grain and oilseeds, but there are implications for many seaborne cargo movements.
- A new information resource drawing attention to ***maritime career opportunities*** in the UK has been introduced by Maritime UK (item 4). Varied employment across the sector is emphasised.
- Moving towards a ***low carbon era*** in shipping has led to formation of a new global alliance of industry participants to support the transition in developing countries (item 6).

Richard Scott MA MCIT FICS
editor (email: bulkshipan@aol.com)
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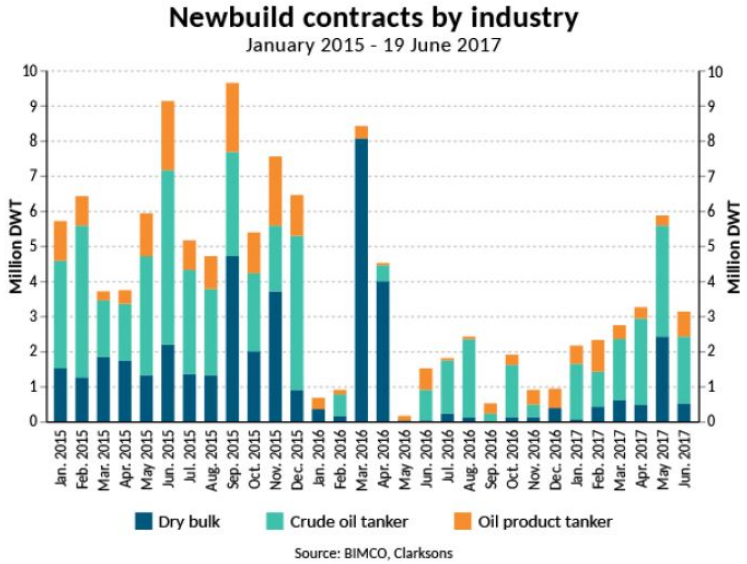
(1) BIMCO, 26 June 2017

Dry bulk and tanker newbuild contracts 20% higher than 2016

Newbuild contracts have been signed for the dry bulk and tanker shipping industries at an increasing pace so far in 2017. The newbuild activity for the first half of 2017 has surpassed the same period last year by 20%. 5.9 million DWT was contracted in May 2017 and 3.1 million DWT so far in June 2017, which brings the total amount of newbuild orders up to 19.6 million DWT for 2017.
So far for June 2017, 22 tankers have been contracted amounting to a total of 2.6 million DWT. For the crude oil tanker segment, this has been entirely for suezmax ships with 1.9 million DWT ordered. The product tanker fleet has seen 0.7 million DWT ordered and 0.5 million DWT dry bulk ships contracted.



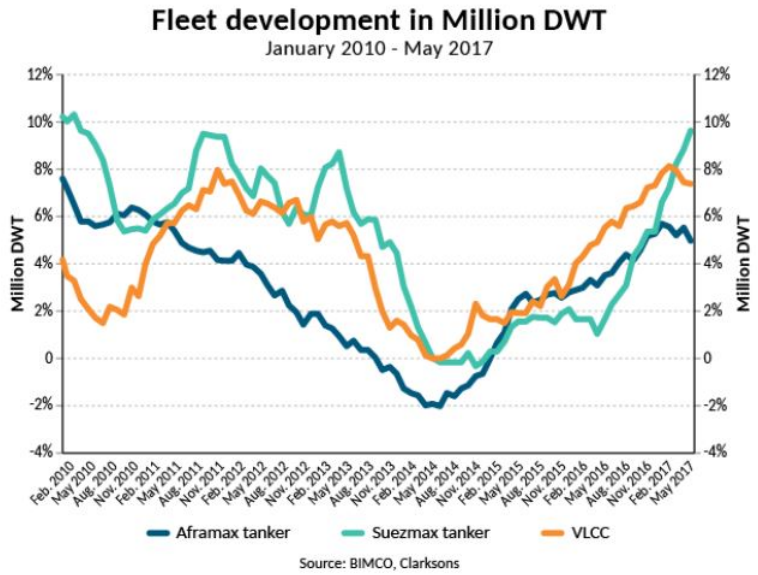
BIMCO's Chief Shipping Analyst Peter Sand comments:" BIMCO expected newbuild activity to pick up, so the recent development is not surprising. It is however not what the industries needs given the present challenges in the market, as the earnings in all three segments gives little incentive for adding more capacity to the industry.
The low level of contracting as seen in 2016 – disregarding the 30 valemax ships ordered in March and April – is necessary in order to restore the fundamental balance between supply and demand in the shipping industry.
As the dry bulk -, crude oil – and oil product tanker shipping sectors are all struggling with very low freight rates, it is important that the recent development in contracting activity reflects a short-term trend. A continuous high level of newbuild activity will halt the current slow progressing improvement in the shipping markets".

Highest newbuild contracting activity for VLCC's since 2008

The crude oil tanker industry has been the main driver for the increase in newbuild activity covering the dry bulk and tanker shipping industry, as more than 60% of the contracts agreed was for crude oil tankers. For the first half of 2017 a total of 11.8 million DWT tankers was ordered, with VLCC grabbing the lion's share of it. 71% of the newbuild orders for the crude oil tankers was VLCC's being contracted, this amounts to a total of 8.5 million DWT and 27 ships. As all 27 VLCC ships were ordered between January and May 2017, it was the highest level of VLCC orders for the first five months since 2008. Furthermore, 2.2 million DWT suezmax ships and 1.1 million DWT of aframax ships have been ordered.

Highest VLCC net fleet growth for more than 7 years

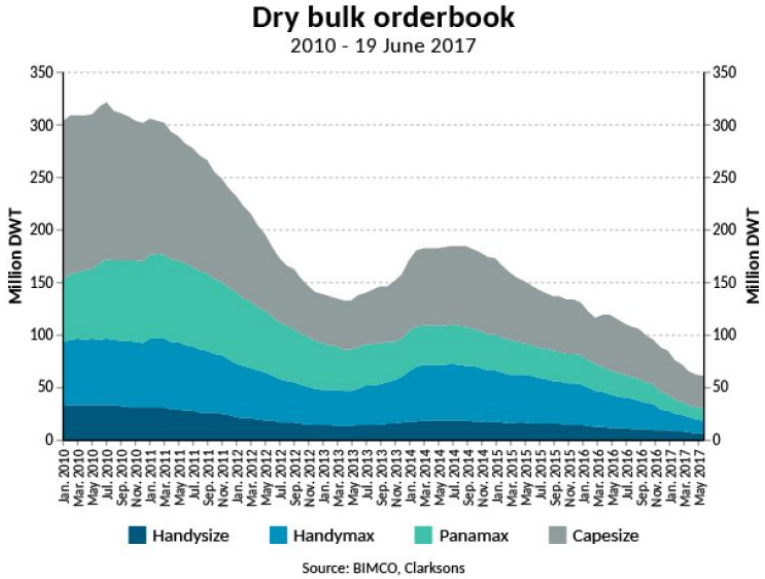
The net fleet growth for the VLCC fleet reached 8.1% in February 2017, which is the highest level since September 2009. This was primarily due to the delivery of VLCC ships for the first five months of 2017 being the highest amount since 2011 and only two VLCC's exiting trading so far in 2017.



The surge in deliveries has been injected directly into the supply side, as the demolition activity for the crude oil tanker shipping industry has been close to zero in a large part of 2015 and 2016. Thereby, the demolition activity hasn't taken any supply out of the market and caused the fleet growth to climb similar to the deliveries. Chief Shipping Analyst Peter Sand adds:" BIMCO continuously stresses the need for managing the supply in the crude oil tanker industry. It is essential to handle the supply side as demand growth will not support the market to the same extent, as it did in 2016. If the situation doesn't ease off, we might see the same fundamental imbalance for tankers, as seen in the dry bulk shipping industry, which will take years to overcome".

Lowest dry bulk orderbook since 2004

Shipowners and investors in the dry bulk shipping industry have contracted 4.5 million DWT of newbuilds during the first five months of 2017. No capesize ships were contracted in the first four months of 2017, while a total of six capesize ships were contracted in May 2017 alone, with four of those being ore carriers larger than 300,000 DWT. Thereby, the six capesize orders added 1.6 million DWT to the orderbook for the dry bulk shipping industry. 2 million DWT of panamax ships were added to the orderbook during the first five months. 0.7 million DWT has been contracted for the handymax segment and 0.2 million DWT for the handysize segment.



The orderbook for the dry bulk shipping industry has declined from 185 million DWT in July 2014 to 61.3 million DWT in June 2017. This is the lowest orderbook level since April 2004 and indicates that a higher

level of deliveries is being made every month, than newbuild contracts agreed. BIMCO will extend the series of analysis on the “Road to Recovery” for the shipping markets by looking at the crude oil tanker sector in the summer 2017.
Source: Peter Sand, Chief Shipping Analyst; BIMCO
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(2) The Royal Institute of International Affairs (Chatham House), 27 June 2017

Chokepoints and Vulnerabilities in Global Food Trade

Rob Bailey, Research Director, Energy, Environment and Resources & Laura Wellesley, Research Associate, Energy, Environment and Resources

Policymakers must take action immediately to mitigate the risk of severe disruption at certain ports, maritime straits, and inland transport routes, which could have devastating knock-on effects for global food security.

Key findings

- Trade chokepoints – maritime, coastal and inland – pose an underexplored and growing risk to global food security.
- Maritime chokepoints will become increasingly integral to meeting global food supply as population growth, shifting dietary preferences, bioenergy expansion and slowing improvements in crop yields drive up demand for imported grain.
- Rising trade volumes, increasing dependence on imports among food-deficit countries, underinvestment, weak governance, climate change and emerging disruptive hazards together make chokepoint disruptions – both small-scale and large-scale – increasingly likely.
- Climate change will have a compounding effect on chokepoint risk, increasing the probability of both isolated and multiple concurrent weather-induced disturbances.
- Investment in infrastructure lags demand growth: critical networks in major crop-producing regions are weak and ageing, and extra capacity is urgently needed.

Recommendations

- Integrate chokepoint analysis into mainstream risk management and security planning - for example, government agencies should assess exposure and vulnerability to chokepoint risk at the national and subnational levels.
- Invest in infrastructure to ensure future food security – for example by agreeing on guidelines for climate-compatible infrastructure through an international taskforce established under the G20.
- Enhance confidence and predictability in global trade - for example, through a process under the World Trade Organization (WTO) to continually reduce the scope for export restrictions
- Develop emergency supply-sharing arrangements and smarter strategic storage, e.g. an emerging response mechanism among major players in the global food trade, modelled in part on that of the International Energy Agency in oil markets and led by the UN Food and Agriculture Organization (FAO), the UN World Food Programme (WFP) or the Agricultural Market Information System (AMIS).

Build the evidence base around chokepoint risk - including through the collection of data on real-time food trade and infrastructural capacity to aid in assessing risks to food supply chains.
source: Chatham House
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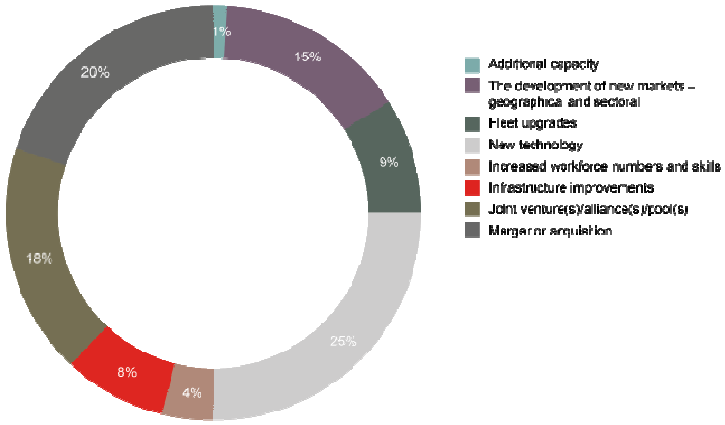
(3) Norton Rose Fulbright, June 2017

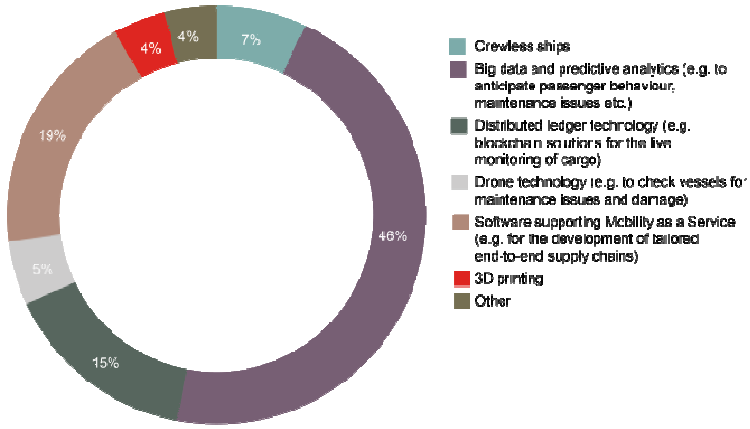
The Way Ahead Transport Survey

The shipping industry is looking to investment in new technology and to develop the benefits of closer integration with other forms of transport, and is preparing for the changes that the widespread adoption of big data will deliver for maritime businesses.

What is the optimal investment opportunity currently for the shipping industry?
When asked to consider the optimal investment opportunity currently for the shipping industry, 25 percent of respondents favour investment in new technology, up from 14 percent in 2016. Consolidation remains a continuing theme for the shipping industry – 38 percent believe a merger or acquisition or the formation of a joint venture, pool or alliance would be the best investment for the industry today, although this is down from 47 percent in 2016.

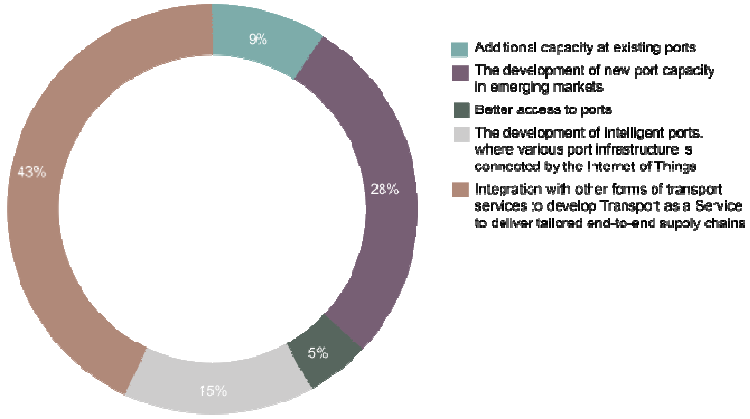


Aside from fuel efficient and low carbon technology, what form of technology will be the most significant driver of change in the shipping industry over the next five years?
While it is generally accepted throughout the industry that the development of fuel efficient and low carbon technology will bring about wholesale changes to the industry by assisting operators to comply with increasingly stringent environmental regulation, big data and predictive analytics are also expected to be a significant driver of change over the next five years. The ability to anticipate repairs and maintenance and better understand and to forecast consumer behaviour through big data is expected to act as the biggest catalyst for change, as selected by 46 percent, while 19 percent believe that software supporting Transport as a Service, which allows for the development of tailored end-to-end supply chains, has the greatest potential to transform the industry.



What form of infrastructure investment would benefit the shipping industry the most over the next five years?

Respondents return to the theme of Transport as a Service when asked what form of infrastructure investment would benefit shipping most over the next five years. 43 percent believe that integration with other forms of transport services to deliver bespoke supply chains would be most helpful to the industry. A further 28 percent favour the development of new port capacity in emerging markets, and 15 percent the development of intelligent ports, where various port infrastructure is connected by the Internet of Things.



Which three countries offer the best investment opportunities for shipping over the next two to five years?

In common with the aviation industry, respondents from the shipping industry view China, India and the US as the markets offering the most attractive investment opportunities over the next two to five years, by 18 percent, 12 percent and 11 percent respectively. Asia Pacific is the region thought to offer the best investment opportunities overall, by 45 percent.

Are current market conditions generally positive for the shipping industry?

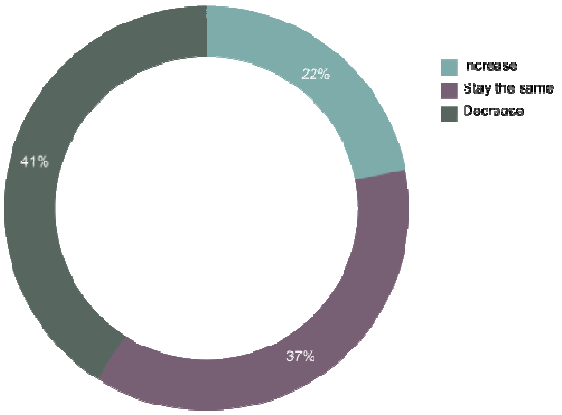
Confidence in the shipping industry appears to be improving. This year, 37 percent report that current market conditions are positive for the shipping industry, compared with 15 percent in 2016, 33 percent in 2015, and 69 percent in 2014.

While sentiment has fluctuated over the past four years, the problem of overcapacity has been an enduring theme – 65 percent of the 63 percent who do not consider current conditions to be positive blame overcapacity. In fact, 35 percent of all respondents from the shipping industry believe that supply and demand imbalances pose the greatest challenge to the operational efficiency of the shipping industry, although this is down from 47 percent in 2016.

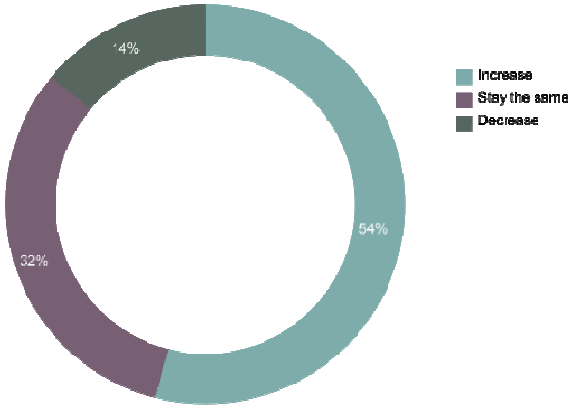
Of the 37 percent who believe current conditions are positive, 36 percent cite improved economic conditions, while 19 percent report that overcapacity issues have been largely resolved. Continued lower oil prices are also assisting the industry, according to 16 percent.

What do you believe will happen over the next five years in the shipping industry?
Another recurring concern for the shipping industry is the ability to secure finance. Looking ahead to the next five years, just 22 percent believe that the availability of funds will increase, while 41 percent fear that funding will become more unobtainable, a considerably higher proportion than respondents from the aviation, rail or logistics industries. In addition, respondents from the shipping industry are expecting lenders to take a tougher stance on problem loans, with 54 percent anticipating that enforcement actions will increase between now and 2022.

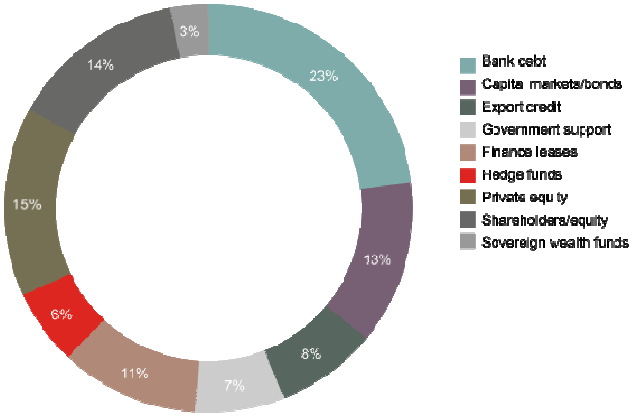
The availability of funds will



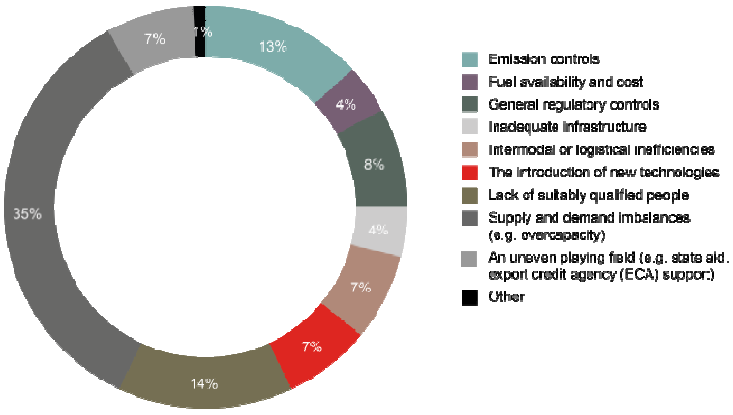
The number of enforcement actions will



What will be the primary source of funding for the shipping industry over the next two years?
While funding is forecast to become more difficult to access, bank debt is expected to remain the industry's primary source of funding, according to 23 percent, followed by private equity and shareholders, selected by 15 percent and 14 percent respectively. One respondent pointed to private debt and direct lending as an alternative source of funding for shipowners.
While overcapacity continues to weigh heavily on the shipping industry, respondents are less concerned about an increase in competition – 51 percent expect competition to increase over the next five years, compared with 74 percent of respondents from the aviation industry, 71 percent from the rail industry and 59 percent from the logistics industry, indicating that respondents believe that some headway will have been made in resolving the problem of overcapacity between now and 2022. While 57 percent forecast that fuel costs will rise over the next five years, 61 percent predict that freight costs and fares will also increase.

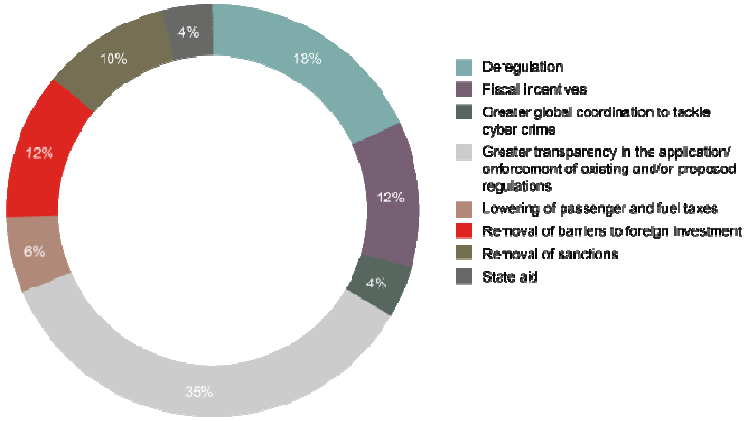


What is the greatest challenge to the operational efficiency of the shipping industry?
While 35 percent believe that overcapacity poses the greatest challenge to the operational efficiency of the shipping industry, 14 percent point to a lack of suitably qualified people and 13 percent to emission controls.

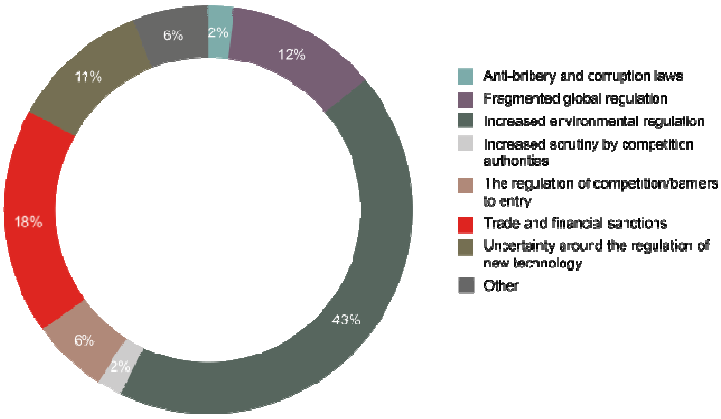


What do you see as the greatest threat to the shipping industry over the next five years?
Global political uncertainty, a global recession, and protectionism pose the greatest threats to the shipping industry over the next five years, according to 28 percent, 25 percent, and 22 percent respectively.

Aside from infrastructure investment, which of the following forms of government support would help the shipping industry most?
Against a backdrop of political and economic uncertainty, greater transparency as to the introduction of proposed regulation and in the application and enforcement of new regulation is seen as the most helpful form of government support for the industry, by 35 percent. A further 18 percent would favour deregulation, followed by 12 percent who favour fiscal incentives and a further 12 percent who call for the removal of barriers to foreign investment.



Which regulation has had the greatest impact on the shipping industry over the past decade?
When asked which regulation has had the greatest impact on the shipping industry over the past decade, 43 percent pointed to increased environmental regulation, followed by 18 percent who highlight the impact of trade and financial sanctions, and 12 percent who point to fragmented global regulation.



Source: Norton Rose Fulbright
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(4) Maritime UK, 26 June 2017

Maritime UK launches new careers resource

Launching during Seafarers Awareness Week, the new resource is targeted toward influencers – including teachers, parents, guardians and career advisors – of children and students as they consider their future career options. It is also designed to help those already in maritime interested in learning about new opportunities across the UK's broad and diverse maritime sector.
The Maritime UK careers tool is delivered in direct response to the UK government's maritime growth study, which set out recommendations to ensure the UK remains a competitive global maritime centre. Users will be able to learn about the breadth of careers on offer in the sector, from engineering to business services, to careers at sea. There are also details on the surprising number of apprenticeships on offer across the sector.

David Dingle CBE, Chairman of Maritime UK said:
"The UK is an island nation with a proud maritime history. Industry is working hard to ensure that the UK has an equally exciting and ambitious maritime future, and we invite you to be a part of that journey.

"I'm delighted that we're launching this brand new resource today. Careers in the maritime sector are arguably one of this country's best-kept secrets. A maritime career offers an exciting, rewarding and stimulating future.
"Whether onshore or at sea, there is bound to be something for everyone – either focussed on science, technology, engineering and maths or vocational activity – and this new resource is a fantastic place to start exploring those careers."
Seafarers Awareness Week is an annual campaign to raise awareness of the UK's island nation dependence on those who work in the maritime sector. This year's focus is on ports and the new Maritime UK careers tool provides an overview of careers in ports as well as the rest of the maritime sector.

The UK maritime sector
The UK is proud to have one of the most vibrant and competitive maritime sectors in the world. Our competitiveness is not solely down to efficient tax regimes and a stable business climate. Quite simply, the UK is The World's Maritime Centre because of its workforce.
With sea trade expected to double in the next 20 years, the need for a highly skilled workforce has never been greater. The UK is committed to providing world-class seafarers, port workers, engineers, naval architects, shipbrokers, financiers, accountants, consultants, insurers and lawyers, so that – together – they can meet the long-term needs of this global sector.
The international maritime community recognises the UK's unequalled expertise, thought leadership, and world-leading innovation – and we never stop looking for the brightest and best people to join our industry.
The career opportunities are as broad as they are exciting.
Source: Maritime UK
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(5) Clarksons Research, 28 June 2017

National Fleet Growth: What's On The Menu?

Last month's Fleet Analysis examined how fast the top owner nations' fleets have grown since 2010, with most of the major owner countries adding a huge volume of tonnage. However, the composition of fleet growth has been diverse. Faced with a varied selection of newbuild and secondhand vessels, Greek, Japanese and Chinese owners have each opted for different recipes.

Preparing The Ingredients
The world fleet has grown by 397m GT since the start of 2010, with half of this growth accounted for by the 'big 3' owner nations of Greece, Japan and China. A total of 603m GT has been delivered into the fleet during this period, while 199m GT has been scrapped. However, some owner countries have relied more on the secondhand market rather than newbuildings to grow their fleets. A total of 300m GT has been reported sold secondhand since January 2010, equivalent to 34% of the world fleet at the start of the period.

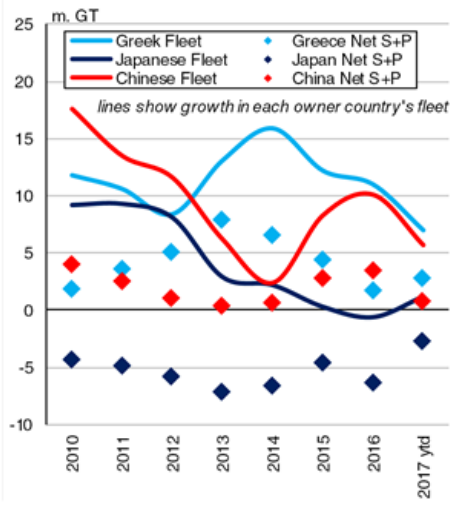
Greece-ing The Pan
The Greek owned fleet has grown the most of any owner nation since January 2010, with 90.0m GT of tonnage added, an increase of 59%. Greek owners have traditionally been the biggest players in the secondhand market, reflected in the composition of recent fleet growth. Since the start of 2010, 'net purchases' (total reported secondhand purchases minus secondhand sales) by Greek owners have totalled 33.6m GT, equivalent to 37% of total fleet growth. However, Greek net purchases fell to less than 2.0m GT in 2016, with deliveries making up a larger share of fleet expansion.

No Need For Seconds
Japanese owners have opted for a very different mix, with much lower overall fleet growth than among Greek or Chinese owners. Japanese owners have taken delivery of 69.4m GT since the start of 2010, while 'net sales' have totalled 43.0m GT. As a result, although the Japanese owned fleet grew by 26.6m GT from 2010 to 2012, it has since only increased by 6.0m GT. However, this trend looks set to change,

following 429 orders of 21.9m GT by Japanese owners in 2015. This was driven by a sudden increase in orders for large boxships and tankers, predominantly due for delivery in the remainder of 2017 and 2018.

Graph of the Month

A La Carte: How Have Owners Built Their Fleets?



The lines on the graph show the annual change in the size of each owner country's fleet, in absolute GT terms. The markers show 'net secondhand purchases' in each year (calculated as total reported secondhand purchases minus total reported secondhand sales), also in GT terms. Secondhand activity includes resales.

Chinese Owners Still Hungry

Growth in the Chinese owned fleet slowed from 17.6m GT in 2010 to 2.4m GT in 2014, before accelerating again in 2015. The slowdown mirrored a drop in newbuilding activity, following 50.9m GT of deliveries in the period 2010-13. Recently, secondhand activity has been more important, with 'net purchases' by Chinese owners reaching 3.4m GT in 2016, the highest total of any owner nation. Bulkers and containership accounted for 66% and 21% of total secondhand purchases respectively in GT terms. So fleet growth has been driven by different blends of activity across nations, with Japanese owners more focussed on newbuildings and Greek owners on secondhand purchases. These trends can impact on the extent of expansion in a owner country's fleet too, but also illustrate that, for owners, there's clearly more than once choice available on the menu.

Source: Clarkson Research Services Limited

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(6) International Maritime Organization, 29 June 2017

Global Industry Alliance launched to support low carbon shipping

Leading shipowners and operators, classification societies, engine and technology builders and suppliers, big data providers, and oil companies have signed up to a new Global Industry Alliance (GIA) to support transitioning shipping and its related industries towards a low carbon future.

Thirteen companies have signed up to launch the GIA, under the auspices of the GloMEEP Project, a Global Environment Facility (GEF)-United Nations Development Program (UNDP)-International Maritime Organization (IMO) project aimed at supporting developing countries in the implementation of energy efficiency measures for shipping. (Click for photos.)

Together, the GIA partners will collectively identify and develop innovative solutions to address common barriers to the uptake and implementation of energy efficiency technologies and operational measures. Focusing on a number of priority areas including energy efficiency technologies and operational best practices, alternative fuels, and digitalization, activities likely to be undertaken or promoted by the Alliance will include, inter alia: research and development; showcasing of advances in technology development

and positive initiatives by the maritime sector; industry fora to encourage a global industry dialogue; and the implementation of capacity building and information exchange activities.

The GIA was officially inaugurated today (29 June) at a launch ceremony held at the headquarters of the IMO, the United Nations specialized agency with responsibility for safety and security of shipping and the prevention of pollution from ships. The launch was held at the margins of the first meeting of the IMO Intersessional Working Group on Reduction of GHG emissions from ships.

In his GIA launch speech, IMO Secretary-General Kitack Lim said the new alliance would help shipping to make its contribution towards greenhouse gas reduction and the mitigation of climate change, a key target for the United Nations under its Sustainable Development Goals (SDGs).

'What we are witnessing today is the formal start of a tried and tested partnership concept which has the potential to boost still further our efforts to kick-start the change that society demands and create a firm, tangible basis to transform the shipping sector for the better,' Mr Lim said.

'Under this new public-private partnership initiative, these 'industry champions', which come from different sectors of the industry and may have different business strategies within the same sector, are coming together to contribute to tackling the challenges of decarbonizing the shipping sector.'

Following the announcement by the GloMEEP Project of its intention to establish the GIA, thirteen companies have agreed to become the founding members of the GIA, although it is expected that more companies may join the GIA even after the launch. The thirteen members that have formally committed to joining the alliance are:

- ABB Engineering (Shanghai) Ltd.;
- DNV GL SE;
- Lloyd's Register EMEA;
- MarineTraffic;
- MSC Mediterranean Shipping Company S.A.;
- Ricardo UK Ltd;
- Royal Caribbean Cruises Ltd.;
- Shell International Trading and Shipping Company Limited;
- Silverstream Technologies;
- Stena AB;
- Total Marine Fuels Pte Ltd;
- Wärtsilä Corporation; and
- Winterthur Gas & Diesel Ltd.

These companies are supporting the overall goals of the GIA by providing their expertise and know-how in the area of maritime fuel efficiency, as well as contributing financially towards the GIA Fund from which GIA activities will be funded.

Following the official GIA launch, the first GIA Task Force meeting was convened to discuss work modalities and kick-off the GIA work.

Source: IMO

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