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Global Maritime Weekly Digest

Publishing Director: Prof Minghua Zhao **Editor: Richard Scott**

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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

(1) Ship operating costs declining

(2) Many new ships ordered are not being delivered

(3) Crew abandonment by shipowners increasing

(4) China's marine economy prospers

(5) Oil bunker fuel likely to remain fuel of choice

(6) UK seafarers need better information and training for shore jobs

(7) Strengthening of global trade awaited

(8) Container shipping bottoming out?

Editorial comments

- A regular survey of ***ship operating costs*** reveals that costs have declined for the fourth consecutive year (item 1). This achievement is attributed to good operating practices and efficient management. But the outlook suggests that the trend of annual decreases may be difficult to sustain, as some cost items seem set to rise.
- One prominent feature of the global shipbuilding industry is ***non-delivery of new ships*** which have been ordered, due to delays and cancellations (item 2). So far this year, over two-fifths of the capacity of newbuilding vessels scheduled for completion worldwide has not been delivered.
- Within the wider economy, ***China's marine industries*** (broadly defined) comprise almost one-tenth of gross domestic product. The marine economy's growth last year more than matched the national economic growth rate, according to an official report of the State Oceanic Administration published recently (item 4).
- News about the ***container shipping*** sector has been largely downbeat recently, emphasised by the collapse of South Korea's major Hanjin company. However, some observers think that a market revival may be approaching next year, when profitability is expected to start recovering, following several years of negative returns (item 8).

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(1) Hellenic Shipping News, 20 October 2016/ Moore Stephens

Shipping: Fourth successive year of decline in operating costs

The findings are set out in OpCost 2016 (www.opcostonline.com), Moore Stephens' unique ship operating costs benchmarking tool, which reveals that that total operating costs for the tanker, bulker and container ship sectors were all down in 2015, the financial year covered by the study. On a year-on-year basis, the tanker index was down by 4 points, or 2.2%, while the bulker index fell by 6 points, or 3.6%. The container ship index, meanwhile, was also down by 6 points, or 3.7%. The corresponding figures in last year's OpCost study showed falls of 2 points in both the tanker and container ship index, and of 1 point in the bulker index.

There was a 1.2% overall average fall in 2015 crew costs, compared to the 2014 figure, which itself was 0.1% down on 2013. By way of comparison, the 2008 report revealed a 21% increase in this category. Tankers overall experienced a fall in crew costs of 1.3% on average, compared to the 0.4% fall recorded in 2014. All categories of tankers reported a reduction in crew costs for 2015 with the exception of Panamaxes and VLCCs, which recorded increases of 1.4% and 1.2% respectively, compared to reductions for 2014 of 2.2% and 0.6%. The most significant reduction in tanker crew costs for 2015 was the 3.6% recorded by Product Tankers.

For bulkers, meanwhile, the overall average fall in crew costs in 2015 was 1.1%, having stabilised 12 months ago at 2013 levels. The operators of Handysize Bulkers paid 2.3% more on crew costs than in 2014, but the operators of other categories of bulker paid less, in the case of Panamax Bulkers to the tune of 3.2%.

Expenditure on crew costs was down 3.3% in the container ship sector, having stabilised in 2014 at the previous year's level. The biggest fall in crew costs in this category was the 3.6% reduction recorded for vessels of between 2,000 and 6,000 teu.

Expenditure on stores was down by 4.3% overall, compared to the fall of 2.4% in 2014. The biggest fall in such costs was the 8.5% recorded by operators of Capesize Bulkers, with Panamax Bulkers (8.2%) not far behind. Other significant reductions included 2,000-6,000 teu Container Ships (8.0%) and Handymax Bulkers (7.5%). For bulk carriers overall, stores costs fell by an average of 7.7%, compared to a fall of 3.7% in 2014, while in the tanker and container ship sectors the overall reductions in stores costs were 4.3% and 5.5% respectively, compared to the corresponding figures of 0.7% and 3.0% for 2014. The only rise in stores expenditure by any category of vessel was the 1.5% increase recorded by Tankers 5,000 to 10,000 dwt.

There was an overall fall in repairs and maintenance costs of 4.3%, compared to the 0.6% reduction recorded for 2014. Only VLCCs and Container Ships of between 1,000 and 2,000 teu recorded increased expenditure on repairs and maintenance, of 0.1% and 1.3% respectively. Otherwise it was a case of reduced spending everywhere, the most significant example being the 7.9% fall recorded for Coastal Dry Cargo ships.

The overall drop in costs of 3.2% recorded for insurance compares to the 0.4% fall recorded for 2014. No vessels in the bulker category paid more for their insurance in 2015 than in 2014. Handysize Bulkers paid considerably less (5.7%) as did Panamax Bulkers (5.3%). Product Tankers and Tankers 5,000 to10,000 dwt were the only vessels in the tanker category to pay more for their insurance in 2015 than in the previous year, to the tune of 1.3% and 0.6% respectively. The biggest increase in insurance costs, however, was the 2.6% recorded by LPG carriers in the 10,000 to 40,000 cbm range. Perversely, gas carriers are historically regarded as among the safest vessels afloat, perhaps reflecting the effect on premium levels of the cost of potential claims rather than the legacy of claims records.

Richard Greiner, Shipping & Transport Partner, says: "This is the fourth successive year-on-year reduction in overall ship operating costs. The reduction is three times that recorded 12 months ago, and a reduction at this level had not been widely anticipated. The fall in operating costs is likely to be due in part to continuing good husbandry in a difficult operating environment for many, and partly to an extremely difficult market and wider economic climate.

"The biggest cost reductions were predictably those in the Stores and Repairs and Maintenance categories. Falling world oil prices continued to have a knock-on effect on lube oil costs in 2015, while

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increasing numbers of owners were looking to strategic short-term lay-up rather than spending on maintenance and repair.

"The fall in crew costs arguably came as more of a surprise to an industry which has over the years absorbed increases of this type in excess of 20% and lived to tell the tale, but it was doubtless largely a consequence of reduced levels of trading. The fall in insurance costs, meanwhile, will come as no surprise to anybody in the light of warnings from the London market that hull rates for many major fleets continue to reach new lows.

"Last year was a particularly difficult one for shipping. Confidence reached its lowest level for seven years, according to the Moore Shipping Confidence Survey. Operators were not overly optimistic about making new investments in the short-term, while finance costs were predicted to rise. Nobody was expecting good news on dry bulk freight rates, and the outlook for tanker and container ship earnings was little better. The Baltic Dry Index, meanwhile, was getting ready to plumb the depths. It was not an auspicious time to be planning new ventures; rather, it was a time for taking stock. In short, for many, it was a time for keeping operating costs to a minimum.

"Against a background of declining confidence in 2015, oil prices were on a steady downward trend, and the slowdown in the Chinese economy was becoming increasingly evident. Neither of these factors was wholly good news for shipping and both, in different ways, served as a brake on 2015 operating costs.

"A fall in operating costs is good news for shipping, particularly at a time when earnings from the freight market, for many, are so disappointing. But the portents are not so encouraging. Oil prices are predicted to start recovering significantly in the second half of 2017, while the price of steel, the bedrock of the shipbuilding industry, could increase much sooner. The cost of manpower, meanwhile, is only likely to move in an upward direction under the terms of the Maritime Labour Convention 2006.

"While the Ballast Water Management Convention still seemed a long way away from entering into force in 2015, it wasn't! Now the convention has been ratified, the cost of trying to achieve compliance should become clearer over the next 12 months, as should the cost of making shipping safer and more secure against threats from the likes of cyber-attacks and fraud.

"In conclusion, shipping can draw some comfort from a fourth successive annual fall in operating costs. But it should remember that costs can move both ways. OpCost records that, at year-end 2001, for example, the average daily operating cost for a Handymax Bulk Carrier was US$3,578. In 2015, it was US$ 5,604. For a Suezmax Tanker, the comparable figures are US$4,916 and US$9,170.

"The indications from the freight markets are that shipping is still selling itself too cheaply. Inflationary pressures on operating costs will remain, so maintaining the status quo will not be a viable option. For many, the freight markets will remain challenging and so to remain competitive, shipowners need to continue to improve efficiency, innovate with new technology and harness the considerable benefits of 'big' data without delay."

Source: Moore Stephens

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(2) Clarksons Research, 20 October 2016

Vessel 'Non-Delivery': Lost In The Mail?

'Non-delivery' of vessels on the orderbook has been a prominent theme in shipbuilding in the last decade, and looks set to be increasing again this year amid troubled shipping markets. Risks to the delivery of the orderbook can emerge from both owners and shipyards, and fluctuations in market conditions can often have a great influence on 'non-delivery' trends too.

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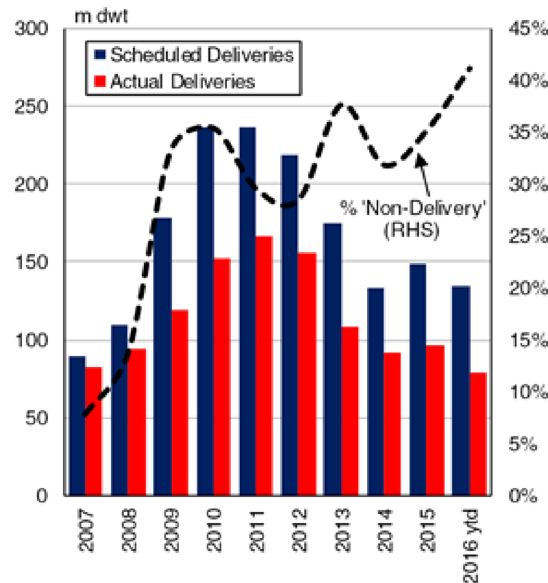
Graph of the Month

'Non-Delivery' Since 2007: Delivering To The Letter?



The bars on the graph show scheduled deliveries (from the start year orderbook) and actual deliveries in each calendar year, both in dwt terms. The line maps total non-delivery in percentage terms, where absolute non-delivery is measured as the difference between scheduled and actual deliveries.

Source : Clarksons Research

A Post-Crisis Issue

During shipping market downturns, changes in contracting or demolition often draw the most attention, but deliveries are also an important factor. 'Non-delivery' (when vessels on order are delayed or cancelled) can act as another supply-side 'lever' to limit the flow of tonnage into the fleet when markets conditions are poor. This concept is difficult to measure, but one method is to take the difference between scheduled deliveries from the start year orderbook and actual deliveries. Total non-delivery increased significantly with the onset of the financial crisis, from 8% in dwt terms in 2007 to 33% in 2009. In the year to date this figure has reached 41%, and 2016 seems likely to set a new record. Non-delivery can be driven by a number of risks to the orderbook. 'Market risk' is created by weak vessel demand: in depressed markets there is a greater incentive to delay vessels and non-delivery tends to rise. 'Owner risk' emerges when shipowners are unable to make payments or access finance, or if they look to delay the delivery of ships. Finally, 'yard risk' is generated by shipyards failing to deliver vessels on time, sometimes as a result of financial problems. Of course, these risks are interlinked, but they provide a framework for analysing non-delivery trends.

All Sorts Of Packages

In general, the uptick in non-delivery over the past two years has been driven by an increase in market risk across the major sectors. In the bulkcarrier sector weak earnings have persisted through 2016, causing non-delivery to rise to 50% in dwt terms in the year to date, up from 42% in 2015. Although tanker non-delivery has fallen from 32% last year to 23% in 2016 so far, due in part to firm earnings in the first half of the year, the biggest change has been in the boxship sector, where non-delivery has risen from 13% in 2015 to 39%, following a sharp decline in rates across most ship sizes.

Owners Stamp Their Feet

Weak markets have also added to owner risk, with many owners negotiating delays to the delivery of vessels, particularly bulkcarriers. This risk has been compounded by the generous payment terms that many owners received, with low upfront costs giving them more power to push back delivery. Yard risk is also a significant factor. Although most builders that have ceased operations have been small, a few larger yards have also left the business, and there are a number of large shipyards in China and Korea that face ongoing financial difficulties.

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Overall then, there are a range of risks to the orderbook that can impact whether vessels are delivered on schedule. In the year to date, changes to the market environment have been important across all of the major sectors, and this increased market risk looks set to drive non-delivery to record levels in full year 2016.
Source: Clarksons Research
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(3) Splash 24/7, 20 October 2016

Owners face backlash as crew abandonment cases soar

JASON JIANG

What should happen to shipowners who choose to ditch their seafarers? Jason Jiang investigates.

As the economic downturn's impact on global shipping becomes increasingly severe, more shipping companies are getting into financial difficulties and more vessels and crews are being abandoned deliberately by owners.

"Our primary concern when ships are abandoned is for the welfare of the seafarers and for their families, who will be distressed and concerned about their futures. Our chaplains are on hand in 87 ports around the world to provide financial and emotional support for crews and their families where it is needed in these situations," says Stuart Rivers, CEO of UK charity Sailors' Society.

To deal with these problems, the International Labour Organization (ILO) established the Maritime Labour Convention (MLC) in 2006 to protect seafarers' rights. It was drafted through negotiations among governments, shipowners and unions. As of July, 77 countries that represent 91% of the world gross tonnage of ships have ratified the convention.

"There should be no place for shipowners who deliberately abandon their crew in this day and age," says Katie Higginbottom from the International Transport Workers' Federation (ITF).

According to Higginbottom, from January next year the MLC amendments will come into force, meaning that seafarers will be able to apply directly to P&I clubs or other insurance policies for funds that will cover their repatriation, subsistence and up to four months outstanding remuneration. At the same time flag and port states will have to check that appropriate certification exists to ensure this.

"This is the result of decades of lobbying and campaigning by the ITF. We're confident that there will be no place to hide for irresponsible owners and we will be monitoring the situation very closely," Higginbottom stresses.

At the moment, the International Chamber of Shipping, representing maritime employers, and the ITF, as the global seafarers union, are working together and with the various seafarer welfare organisations to assist abandoned seafarers and to contact owners, if possible, and the flag administration to ensure that all is being done to resolve any abandonment situation.

Martin Foley, national director at the Apostleship of the Sea charity, reckons that owners who deliberately abandon their ships and the crew onboard should not be able to act with impunity.

"Care must be taken to ensure that any prohibitive action against owners does not compound an already difficult and stressful situation for seafarers, something our chaplains can attest to when they visit seafarers on abandoned ships," Foley says.

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Foley reckons anyone ditching their crews must face serious consequences. Port state control, along with other stakeholders, should ensure that any other ships in a fleet where one or more has been deliberately abandoned are tracked and the needs of seafarers onboard those ships given particular attention when in port.

Arthur Bowring, the managing director of the Hong Kong Shipowners Association (HKSOA), is extremely concerned about the current ship abandonment situation.

“Unfortunately owners who abandon their seafarers are likely to have disappeared, so there becomes an ethical and moral responsibility for the flag administration to take care of the seafarers. It is likely that the flag administration will take out legal proceedings against the shipowner, but the success of this depends on whether the shipowner can be found or identified,” Bowring points out.

“Such owners should be prevented from ever owning ships again, but names change, memories are short, and some shipowners seem to have relationships with their flag administration that allows them to continue as if nothing happened,” Bowring continues.

When contacted by *Splash* regarding the issue, Ken Peters, director of justice and public affairs at the Mission to Seafarers, listed a few suggestions to deal with the ship abandonment situation.

1) There should be within international law a prohibition which bars the shipowner from purchasing back the vessel in a judicial sale. This just encourages rogue shipowners to take this easy path out of their difficulties.

2) Owners who abandon ships, (and that can only be done deliberately as one cannot accidentally abandon or do such a thing), ought to be barred from ship owning.

3) Owed wages and any other financial disadvantage suffered by abandoned seafarers ought to be compensated as the number one priority. Court fees, port dues, and all other creditors should not have priority over seafarers.

4) Sometimes abandoned seafarers are regarded as illegal immigrants for having contravened the term and conditions of their visa and are imprisoned. Such treatment needs redress and compensation for distress should be mandatory.

5) When an abandonment occurs the flag state ought to deregister all other ships of that owner once the seafarers have been repatriated.

6) Registers should bar the defaulting shipowner from their flag

7) Charterers should refuse to fix any ship belonging to the defaulting owner.

8) Flag States and Port state Control should thoroughly inspect other ships of the owners fleet once one of them has been abandoned. This may proactively head off other abandonments.

Splash will continue to report on the plight of abandoned crews around the world and is in discussions to create a high profile campaign to shame owners who have a track record of neglecting their crews.

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(4) Hellenic Shipping News, 25 October 2016/ China Economic Net

Marine economy heading for “deep sea”

As a country with great marine power, China gets a lot of attention for its operation status of our marine economy. The State Oceanic Administration held a meeting on September 27 and issued China Marine Economy Development Report 2016. According to preliminary accounting, the overall marine economy of

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China is in good operation status in 2015, achieving gross ocean production of RMB 6466.9 billion yuan which accounts for 9.4 percent of gross domestic product. The marine economic featured with improved development quality and increased form diversity has become an important leading power in the national economic development. While it should be noted that presently partial ocean industries have had structural overcapacity and problems of unbalance, discordance and unsustainability in marine economy development are still outstanding. It is necessary to speed up transformation, innovation and development.

"The aggregate of marine economy in China grew stably under the trend of increasing downward pressure of overall home and abroad economy in 2015." Wang Bin, deputy director of the general office of State Oceanic Administration, said that China's gross ocean production has reached RMB 6466.9 billion yuan and the actual incremental quantity was still considerable in 2015; the comparable growth of 7.0 percent keeps a development trend a little more than national economic growth in the corresponding period while it presents slowdown trend compared with former years. "The marine economy is more sensitive to fluctuation of international economy due to influence from the downward trend of domestic and overseas economy together with features of marine economy as openness and export-oriented degree," explained Wang Bin.

"Although the growth declines to some extent, the development quality and benefit of marine economy is increasing and the development pattern is evolving into the stage of more advanced form, more complex labor division and more rational structure. The marine economy has become an important leading power for the national economic development," considered He Guangshun, director of National Marine Information Center.

"Benefiting from the market demand growth in emerging service industry, the marine tertiary industry production value in 2015 rose 1.4 percentage points on an annual basis, complying with the macroscopic anticipation of national industrial structure adjustment." Wang Bin said that influenced by overall descending of domestic manufacturing industry and affected by the upstream-downstream industries, the proportion of marine secondary industry declined 1.4 percentage points last year. In 2015, the proportion of three marine industries in China has reached 5.1:42.5:52.4, making the structure of "tertiary, secondary and primary industries" more optimized. In addition, the contribution rate of marine science to marine economy has reached 60 percent.

"After the development in the 12th Five-year Plan period, China's marine economy has accomplished basically the main index proposed by The 12th Five Year Plan of National Marine Economy Development and has established a significant foundation for advanced development in the eastern coastal region," expressed He Guangshun.

Insiders also express that marine economy development is confronting with the situation of worry in happiness. "At present, the issues of structure overcapacity in partial marine industries shall be confronted directly," said Fang Jianmeng, deputy director of State Oceanic Administration.

The overcapacity in marine shipping industry is the most obvious. Although China's marine shipping industry has overcome the difficulties such as continuous depression in the shipping market and serious overcapacity of global shipbuilding industry and realized stable growth in 2015, the problems of difficulty in order receiving, ship delivery, profit and financing still exist under the deep-seated influence of international financial crisis. The obvious declining of economic benefit and sharp decreasing of new order and held order quantity result in more serious situation in production and operation.

The marine engineering equipment manufacturing industry is also not optimistic. Influenced by the falling price of global oil and reduced demand for marine exploration and development, China's marine equipment production has dramatically reduced. New orders in 2015 accounted for 30.9 percent of global market shares, declining by 75.5 percent in amount on year-on-year basis.

Meanwhile, the crowded gathering of heavy chemical industry in coastal region has intensified the pressure on marine resource environment. As shown by relevant data, the land-to-sea pollutants in China

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stay at a high level. The rate of qualified discharge from the land-to-sea drain outlets in 2015 is still lower and the 88 percent of the sea water quality near the drain outlets does not meet the environmental quality requirement of the marine functional zone they locate. "In addition, many flaws such as confused layout, flourish everywhere and lack of overall planning exist in coastal heavy chemical industry regions." As indicated in China Marine Economy Development Report 2016, such an intensive-distributed layout of heavy chemical industry along coastline is in opposite to the principle of "concentrated layout and centrally governing" executed for heavy chemical industry internationally. It not only damages marine resource and ecological environment, but also increases hidden danger in safety production.

In addition, the continuous healthy development of marine economy in China is still restricted by many factors such as the outstanding issues of unbalance, discordance and unsustainability in marine economy development, the unchanged extensive growth method, the unreasonable industrial structure and layout and the under-improved ability of independent innovation and technical achievement transformation. "At present, China's marine economy is in profound adjustment period and confronting with problems of great pressure on structural adjustment and difficulty in sustaining the mode of pulling the marine economy by investment and export." He Guangshun said that in 13th Five-year Plan period, the State Oceanic Administration will revitalize the marine stock resource, avoid repeated construction and cutthroat competition among regions and completely eradicate excessive consumption and waste of marine resource through planning and guiding. Meanwhile, it will further speed up eliminating the backward productivity in traditional industries such as marine ship industry and marine salt industry, boosts the strategy of "going out" in marine industry and promotes the quality and efficiency improvement of marine economy.

"In 13th Five-year Plan period, the State Oceanic Administration will allocate the marine resources scientifically, further solve the problems such as unreasonable marine industrial structure and homogenized regional distribution, explore financing mode and service method of marine economy, promote the development model innovation in "ocean + Internet" and "ocean + big data" to realize the share of resource, technology and information, and establish a high-tech marine industry system that adapted to demand with senior level," expressed Fang Jianmeng.
Source: China Economic Net

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(5) Hellenic Shipping News, 20 October 2016/ Lloyd's Register

Bunker fuel likely to remain shipping fuel choice in long term says Lloyd's Register-commissioned study

LR and Shipping in Changing Climates, a $4m multi-university and cross industry research project funded by EPRSC, have today released Low Carbon Pathways 2050 – a new study that details a number of potential pathways for the shipping industry's transition to a low carbon future.
The report underlines the need for shipping to start its decarbonisation imminently – as stringency increases over time, increasingly high-cost mitigation steps are required. The later we leave decarbonisation, the more rapid and potentially disruptive it will be for shipping.
The greenhouse gas (GHG) emissions of shipping are a consequence of the carbon intensity of shipping's energy supply, the energy efficiency of shipping and the demand for shipping. The Paris Agreement confirmed that it was not a question of whether climate change should be addressed but a question of how, and it was clear that everyone will have to contribute.
Shipping currently accounts for 2.33% of global CO_2 emissions and there will be no space in the carbon budget to allow even the emissions of shipping (currently approximately 1 Gt per annum) to be ignored. The International Maritime Organization (IMO), agreed at the 69th session of the Marine Environment Protection Committee (MEPC) to establish a working group to discuss the matter further at MEPC 70 from

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24–28 October 2016. There are a number of submissions to MEPC 70 on this subject and we all expect important discussions to take place on how this issue is to be progressed.

Low Carbon Pathways 2050, presented by Katharine Palmer, LR's Environment and Sustainability Manager (pictured below), and Carlo Raucci of the Shipping in Changing Climates project, aims to contribute towards these discussions by providing understanding on the potential pathways to the decarbonisation of the global shipping industry. Consistent with the Paris Agreement, the report gives particular focus on the technological and operational specifications of the global fleet and how these may change in relation to a given rate of decarbonisation.

LCP launch

The report asks the question: given the best available evidence, what is a reasonable estimate of how shipping might be required to change and what does this look like?

Three future scenarios for this initial study for the period 2015–2050 were identified to demonstrate varying options for decarbonisation. The first, High Hydrogen, considers the availability of hydrogen, which is used in fuel cell technology, to demonstrate what can be achieved through technology and innovation. The second, High Bio, assumes a mid-range market penetration of biofuels in the shipping industry, and the third, High offsetting, considers the impact of a market-based mechanism. These three future scenarios are compared to a business as usual (BAU) scenario with existing regulatory commitments.

Key findings of the study include:

- Shipping will need to start its decarbonisation imminently – as stringency increases over time, increasingly high-cost mitigation steps are required. The later we leave decarbonisation, the more rapid and
- potentially disruptive it will be for shipping.
- All are 'possible' options for achieving absolute reductions of a scale and timeliness consistent with the Paris Agreement.
- A substitute for fossil fuel will still be required as energy efficiency improvements alone will not be sufficient in the medium to long term.
- Energy storage in batteries and renewable energy sources will have important roles to play, but are likely to still leave a requirement for a liquid fuel source.
- Additional regulations that may be developed for other emissions need to be considered, for example; methane, black carbon and particulate matter.
- Technological and operational characteristics are just some of the considerations that need to be taken into account.

Katharine Palmer, LR's Environment and Sustainability Manager, commented: "There are many issues to debate as the industry tries to consider what the strategy might be for handling the simultaneously inevitable and uncertain changes ahead. What is clear is that any future regulation needs to provide the right incentive to drive the change needed and we hope that business strategies and consistent policies can be combined to reduce shipping emissions."

Carlo Raucci of the Shipping in Changing Climates project added: "Clearly many questions remain and will need further thought and consultation. But at least this study makes clear that we need to advance thinking beyond marginal gains in energy efficiency and alternative fossil fuels if we are to identify the sector's least cost decarbonisation pathways."

Following this initial study, LR and SCC will convene industry roundtable discussions on the findings of the report and facilitate the development of future possible scenarios in collaboration with the industry to create and share knowledge and tools that can contribute to reducing GHGs from shipping.

Low Carbon Pathways 2050 is the latest in LR's series of reports looking at fuel and technology trends for the marine industry, aimed at developing new knowledge and tools that can contribute to policy debate. Previous reports include Global Marine Trends 2030, Global Marine Fuel Trends 2030 and Global Marine Technology Trends 2030.

Source: Lloyd's Register

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(6) Lloyd's List, 18 October 2016

UK seafarers need better training and information to make it ashore

- by Anastassios Adamopoulos

Report highlights need for better preparation before return to shore

UK seafarers and on-shore employers must find ways to ensure a smooth and a successful transition to life after the sea through better training, assistance and information dispensation, according to a new report.

The Ship to Shore: what's missing for the seafarer? report found that many seafarers held unrealistic assumptions about compensation, working hours and commuting attached to jobs ashore.

It recommended that seafarer skills should be better developed before returning to shore, including advice and assistance on how they can receive more help in that transition.

The Lord Mayor of London, Lord Mountevans, noted that the UK maritime industry shared a common concern regarding the retention of seafarer expertise, and it was united in its determination to act.

Shipping recruitment firm Spinnaker Global chairman Phil Parry addressed the differences between the nature of work at sea and on shore and how that affects seafarers.

"The seafarer lives in a quasi militaristic hierarchical environment where leadership is command and control in nature. That style does not transfer ashore," he said.

As a result of this discrepancy, seafarers need assistance in three areas to better secure a job, Mr Parry argued. The first is self-awareness about their own effect on other people through their behaviour. The second is knowledge acquisition of various matters such as law, commerce and insurance. Third, they need to understand the variety of the industry's jobs and their requirements.

A number of recommendations on seafarer training were tabled by attendees at the launch.

Information about post-sea employment should be provided to seafarers at a younger age, and that information should be easily accessible and available.

Attendees also argued that shore-based employers had unrealistic expectations of seafarer skills, such as computer skills and commercial awareness.

Employers could help fill the commercial skills gap by providing commercial training and professional development support throughout their career offshore. Seafarers could contribute financially to this training package, it was suggested.

The report was commissioned by a number of organisations including Maritime London, Trinity House, Nautilus International, the Merchant Navy Training Board and the Marine Society and Sea Cadets.

It was commissioned as part of a series of recommendations by the Department for Transport's 2015 Maritime Growth Study. The study highlighted the need for the identification and prioritisation of the key skill issues facing the UK maritime sector.

Ship to Shore: what's missing for the seafarer? tabled feedback from 155 UK maritime entities ranging from law firms and P&I clubs to shipmanagement companies and class societies.
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(7) Hellenic Shipping News, 19 October 2016/ Reuters

Rise in global trade the tonic the world economy needs – Reuters poll

The world economy needs international trade to pick up, according to Reuters polls of hundreds of economists who see no end yet to the aggressive monetary stimulus through which central banks have tried to prop up inflation.

In recent months central banks from India to Britain to Brazil have become more accommodative with policy, leaving the U.S. Federal Reserve, which is widely expected to raise rates in December, looking like an outlier.

Financial markets are already showing a sense of unease, with sovereign bond yields up from record lows, many stock markets looking shaky, and investors warily eying the price of oil, which appears to have awoken from a long slumber.

Some economies, like India's, appear to be in rude health: Australia's quarter-century of uninterrupted growth is set to extend for another couple of years at least. Others, like Brazil, seem to have put the worst behind them.

But these economies are not big enough on their own to make a meaningful impact on global growth, which has been stuck in middle-to-low gear for several years.

China, the world's second-largest economy, has been an engine of global growth but is forecast to slow as Beijing's attempts at rebalancing away from exports leave it vulnerable to sluggish world trade, plus an inflated property market.

"(A) pick-up in international trade volumes is needed for stable global economic growth," noted Yoshimasa Maruyama, chief market economist at SMBC Nikko Securities in Tokyo.

The U.S. economy is not expected to grow much faster than 2 percent throughout 2017, with a steady slowdown in hiring and a dearth of optimism, at least among economists, that business investment is set to finally rebound.

Across the Atlantic, Europe appears headed for another extended period of lacklustre performance and very low inflation, exacerbated by the uncertainty that now follows Britain's vote on June 23 to leave the European Union.

Britain's economic growth outlook remains significantly weaker than it was before the referendum and a crash in the value of the pound is set to push inflation above the Bank of England's target next year.

While 2017 is still forecast to be better than this year for global growth, economists and forecasters like the International Monetary Fund have cut predictions as the year has progressed.

Median forecasts from the poll of over 500 economists taken over the past week showed global growth at 2.9 percent this year and 3.2 percent next, barely changed from the July poll.

The main difference this time is that economists have chopped their inflation outlooks for most countries, with lower highs and lower lows.

"Despite all that central banks have thrown at it, global growth is painfully slow and inflation still too weak. Our forecasts for the next two years suggest more of the same," wrote Janet Henry, global chief economist at HSBC, in a note.

"As confidence in central banks' ability to deliver further monetary stimulus wanes — and the effectiveness of their measures remains unclear — fiscal policy is playing a larger role."

WILTING TRADE VOLUMES THE MAIN WORRY

About three quarters of more than 200 economists in the poll who answered an additional question said that reviving international trade was more important now for the world economy than boosting inflation.

This follows an extended period of slowing trade growth.

The World Trade Organisation cut its trade forecast for this year by more than a third last month and growth in international commerce is now forecast to lag the world economy for the first time in 15 years.

The WTO anticipates 2017 trade will rise 1.8-3.1 percent rather than the 3.6 percent it had estimated in April.

The IMF noted in its latest economic outlook that the volume of world trade in goods and services is less than half the average rate of expansion during the previous three decades.

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A trade agreement negotiated over more than half a decade between the EU and Canada and still not yet completed has also recently run into very shaky ground.
Aside from Britain's vote to leave the world's largest trading bloc, the political climate elsewhere in Europe and in the United States is much more hostile to further globalisation and expansion of free trade than it was just a few years ago.
"The most recent shock was Brexit and the most important potential global shock is a drift towards trade protectionism in the U.S., particularly if the Presidential election favours Republican candidate Donald Trump," noted Ethan Harris, global economist at BofA-ML.
The vast majority of economists covering the U.S. economy who answered an extra question in the Reuters poll said Democrat Hillary Clinton, generally perceived as much more open to global trade agreements, would be better for the economy in the long run. [ECILT/US] Source: Reuters (By Ross Finley and Rahul Karunakar, Polling, analysis and additional reporting by Reuters Polls Bengaluru and bureaus in Kuala Lumpur, Bangkok, Manila, Jakarta, Hanoi, Sydney, Milan, Berlin, Paris, Johannesburg, Toronto, New York, Brasilia, Mexico City, Lima, Buenos Aires, Bogota, Caracas, Santiago; Editing by Catherine Evans)
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(8) Hellenic Shipping News, 19 October 2016/ Drewry

Container shipping market has bottomed out

Hanjin's receivership represents the trough of the container shipping market and despite continuing concerns of weak trade growth and fleet oversupply a gradual market recovery is now expected, according to the latest annual Container Forecaster and Review 2016/17 report published by global shipping consultancy Drewry.

Worse than expected second quarter financial results will be followed by a better second half-year. But Drewry still expects container carriers to record a collective operating loss of $5 billion this year. We forecast industry profitability to recover next year, thanks to improving freight rates and slightly higher cargo volumes, and so record a modest operating profit of $2.5 billion in 2017.

However, this anticipated recovery needs to be put into perspective. While average freight rates are expected to improve next year, this will follow several years of negative returns and will still leave pricing well below the average for 2015. A key unknown remains carrier commercial behaviour which has proven unpredictable and counterintuitive. Hanjin's demise may mark a watershed in this regard, but liner complacency on the risks of insolvency may challenge this notion.

Fuel prices are also on the increase and carriers are extremely wary of costs. This may support higher freight rates via the bunker surcharge mechanism, but it also increases operational costs.
The fact that the orderbook is at a virtual standstill is a major positive as is rapidly increased scrapping. But even so, the next two years will still be very challenging on the supply side with annual fleet growth of between 5% and 6% and many more ultra large container vessels (ULCVs) to be delivered.

In reaction, the industry is rapidly consolidating by necessity rather than by design. Those carriers who can weather this prolonged storm have a chance of emerging the strongest in 2019/20.

Drewry has highlighted for some time that carriers have not focused on revenue and with increasing debt this is a genuine issue for the industry in view of Hanjin's failure. Drewry estimates that revenue for 2016 may reach $143 billion, but this compares to $218 billion back in 2012.

Neil Dekker, Drewry's director of container research, commented: "Hanjin's failure is the culmination of several years of poor commercial decisions and mismanagement, not just by Hanjin, but the industry as a whole. But it did not necessarily signal a major tipping point for the industry. It was more a side-show as freight rates had crucially already turned a corner at the mid-year point. More consolidation is likely, but is not necessarily the route to the promised land. Senior company executives talk about synergy savings of

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hundreds of millions of dollars, but this means nothing when it is all too easily given away in weak contract negotiations and the desire to maintain precious market share. The answer lies with fully addressing the revenue side of the equation and thankfully there are signs that the spot market is being addressed to some degree. The acid test for 2017 will be how the lines approach BCO contract negotiations."

Source: Drewry

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