



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.*

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Editorial comments

- Collaboration among regional **port state control regimes**, set up to ensure compliance with international maritime regulations by inspecting ships, will be strengthened. At a recent meeting it was agreed to take further steps to harmonise activities and share information (item 3).
- A continuing **recovery in the bulk carrier market** is still perceived as “fragile” by international shipping association BIMCO, which points to only a slight improvement in the ‘fundamentals’ (item 1). A pick up in global dry bulk trade growth has been accompanied by an acceleration of growth in the world bulk carrier fleet, resulting in just a limited tightening of the market balance.
- The same organisation describes the **improvement in the container shipping market** as a “fragile recovery” in another analysis (item 2). Overcapacity in this marketplace is viewed as persisting for a number of years ahead.
- Employment of **more economical ‘eco’ vessels** has aided the shipping industry’s attempts to lower emissions (item 4). Container ships optimised for slower steaming and low-speed eco bulk carriers have made large contributions to this reduction.
- Global shipping markets are heavily dependent on **China’s economy** sustaining a robust growth rate. Several reasons for expecting the trend in China to remain buoyant are suggested: industrial restructuring and upgrading resulting in higher productivity; a bigger impetus from consumption especially consumer spending; and technological innovation (item 7).

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(1) BIMCO, 6 November 2017

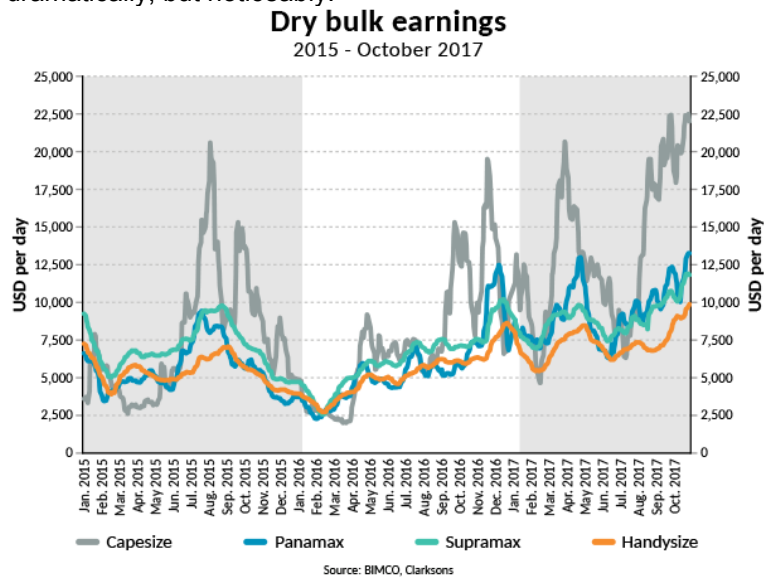
Dry bulk shipping: take good care of the recovery

Overview

This ongoing recovery is still in a "fragile" state - demand has increased but so has supply.

Demand

Even without much support from Brazilian iron ore exports during August, capesize rates went from \$10,000 to \$17,000 per day. In September, those gains were retained until Chinese Golden Week in early October reduced trip chartering interest, dampened demand and lowered the freight rates. Not dramatically, but noticeably.



Capesize ships have (as of 26 October) been in profitable territory (above \$15,300 per day) since 11 August and panamaxes likewise, since 5 September (above \$10,200 per day).

Handymax/supramax/ultramax owners and operators who fixed their ships after 21 August, have also seen freight rates covering, not just operational expenditures (OPEX) but also capital expenditures (CAPEX), leaving a slim return on investment. This has only happened three times- for more than two days in a row – in the past two years. Finally, the handysize segment has, for the first time since April 2014, reached a freight rate level above \$9,000 per day.

This ongoing recovery is still in a “fragile” state - demand has increased but so has supply. This means only a slight fundamental market improvement. The return to permanent profitable freight rates is still way off. The transport demand for dry bulk cargoes in Q1-2018 is considerably lower than the volumes transported in Q4-2017, and that’s the first hurdle to cross. Maintaining slow steaming is another prerequisite to hold onto the gains that have been achieved.

At the centre of dry bulk demand, as always, is China; growing its seaborne imports of coal during the first nine months of 2017 by 18.7%, and its seaborne imports of iron ore during the first eight months, by 6.9% year-on-year. In total, this is a demand growth of 79m tonnes (27 + 52 respectively) for the two commodities year-to-date.

Setting a new world record in steel production for the month of August of 74.6m tonnes, resulted in total growth of 5.6% for eight months’ production in 2017, compared with the same period last year.

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Another record was reached in September, when Chinese iron ore imports exceeded 100m tonnes for the first time.

While this is much needed by the dry bulk shipping industry to get out of the doldrums of recent years, there may be a limit as to how far this can go. Imagine if steel production stalls, then iron ore imports are likely only to grow at the expense of domestically mined ore.

BIMCO calculates that substitution of low-quality, domestically mined iron ore in China, for imported high-quality iron ore from Brazil or Australia, would have increased imports by 17m tonnes per month in the first eight months of 2017.

Regardless of recent reports, about one in three Chinese iron ore mines being at risk of losing their mining licenses due to environmental issues, the output from Chinese iron ore mines is still up by 5% in the first eight months, year-on-year. One of the key risk elements in the equation is actual steel consumption in China.

In addition to the strong growth that we have seen into China, US coal exports have certainly added to the panamax and capesize demand in the Atlantic since Q4 2016.

From November 2016 to July 2017, we have seen a monthly average of 6.4m tonnes of coal being exported from the US to a vast number of destinations like Japan, Egypt, Turkey, South Korea, China, Guatemala, India, Spain and Morocco. This is up by 61% versus the same nine months of the year before. Key export ports, mostly on the Atlantic side, are Hampton Roads and Baltimore, where panamax and capesize ships are used to export 60% of the total volume. In the US Gulf, Mobile dominates exports with shipments of coal in panamax. On the Pacific side, US coal exports are handled via Vancouver.

The total tonne miles adjusted demand growth rate in 2017, is forecast to be 3.9%, the highest in three years.

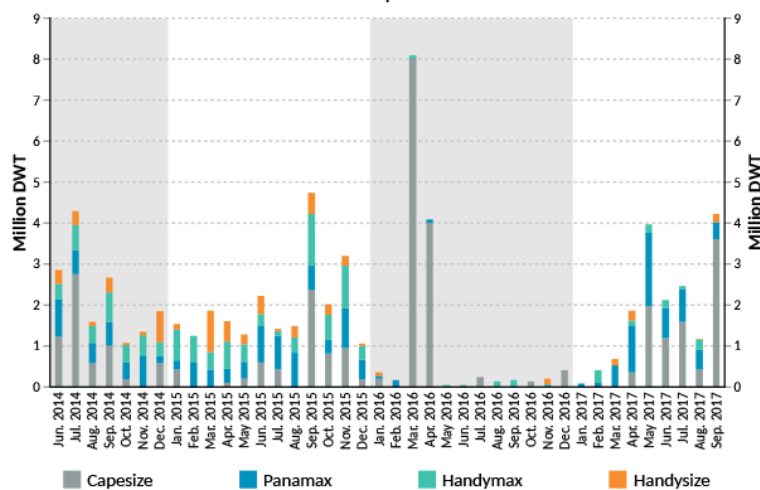
Supply

The delivery pace has reduced significantly since H1-2017, but so has demolition activity. During H1-2017, 28m DWT was delivered, while 8.5m DWT was demolished. Whereas Q3-2017 has seen only 6m DWT delivered, and 3.6m DWT permanently leaving the active fleet.

Demolition of handymax tonnage, has been dominant this year – a natural reaction from owners operating in that segment, which has seen fleet growth around 5% pa for some time now, clearly outpacing all the other dry bulk segments.

Dry bulk contracting activity

June 2014 - September 2017

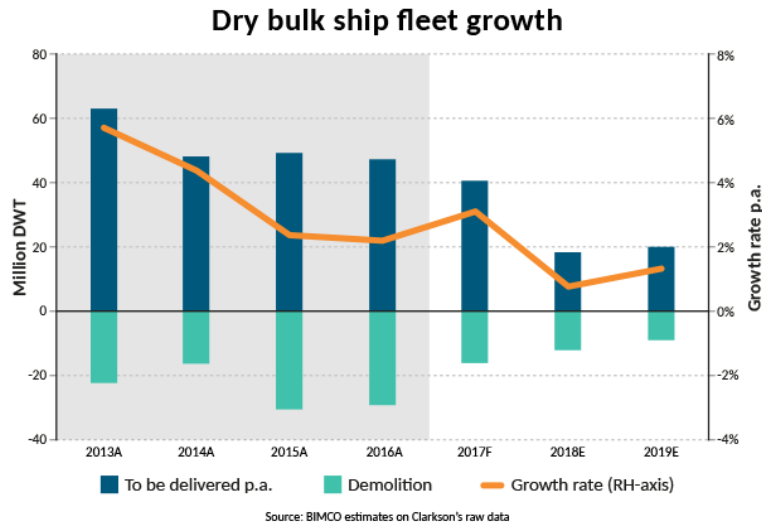


Source: BIMCO, Clarksons

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Contracting activity for the year so far, has as expected, gone up from the extraordinarily low levels that we experienced in 2016. While Q1 2017 was still quiet in terms of actual orders, newbuild interest was growing in the background. The larger segments are popular. Panamax and very large ore carriers (VLOC) account for 15 out of the 17m DWT ordered in total, year- to- date (until 2 October). It's worth noting that many of the VLOCs have been ordered against a long-term charter, most likely replacing existing long-term chartered VLOCs when they are retired. Later in October, another 5 VLOCs were ordered.

For the first nine months of the year, the dry bulk fleet has grown by 2.7%, already a three-year high. BIMCO expects the fleet will end up growing by 3.1% to 16m DWT as demolition expectations are lower than the previously anticipated 19m DWT.



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2017-2019 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 40% of the remaining vessels on order are delayed/postponed.

In the future, expected fleet growth remains quite low based on the ships on order now – and does not include orders not yet placed. 2018 could see the fleet grow by less than 1%.

Outlook

Should we look no further than China when it comes to dry bulk market demand? No, is the short answer - at least not in relation to steel production ingredients - iron ore and coking coal. In 2008, global iron ore imports were at 841m tonnes, out of which China took 436m tonnes (52%). In 2017, the global seaborne market is at 1,478m tonnes, out of which China takes 1,075m tonnes (73%).

For thermal coal, a few other nations are worth taking note of, in addition to China. Those are India, South Korea and Malaysia. Additionally, the US seems to have re-established itself as an option in the seaborne coking coal market, providing long distance voyages into Asia.

Ever since the outbreak of the global financial crisis in 2008, the dry bulk market has only had one growth area: Asia. All other regions of the world contribute with steady or declining imports.

Note that European imports of: Iron ore are down from 140m tonnes in 2008 to 117m tonnes in 2017, Coking coal are down from 59m tonnes in 2008 to 46m tonnes in 2017, Thermal coal are down from 156m tonnes in 2008 to 128m tonnes in 2017.

For the current time and Q4 2017, selected seaborne trades from major exporters including iron ore, coal, grains, soya and steel products are expected to grow by 3.4% from Q3 2017 (source: SSY). Whereas, grain peaks in Q1 and Q3, and soya in Q2, the seaborne trading of steel products, coking coal, thermal coal and iron ore will all peak in Q4.

After a bit of a downturn in the market during the first half of October (which was expected), demand lifted freight rates again. It's time to make the most of it, before seasonal low demand in Q1-2018 get the upper hand and push freight rates down.

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(2) BIMCO, 7 November 2017

Container shipping: testing the strength of the market makes spot rates drop

Overview

Because of the liner companies' interest in "testing" the strength of the market, they deploy tonnage into the trades until the freight drop! Only by doing that, can they reveal the true strength of demand

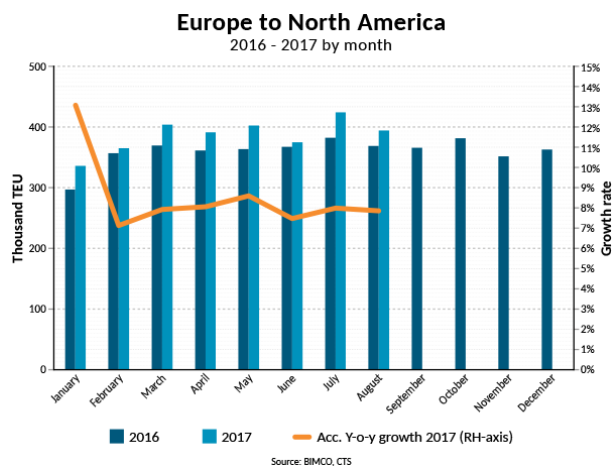
Demand

What have we learnt from the most recent peak season? Volumes on all trades grew at healthy levels in line with our full year forecast for global container demand growth rate being at the same level as global GDP growth. BIMCO anticipates that the global trade-to-GDP multiplier for total container shipping demand in 2017 and coming years will hover around one or slightly above, at best. Year-to-date, we have seen a multiplier of 1.39.

The overall level is one thing, but individually, we may see both higher or lower multiples for different regions. Noticeably, US and European imports have been strong in 2017. This has benefitted the utilisation of ships deployed on those long-distance trades, temporarily easing cascading pressure. Cascading pressure that for many years now has eroded profitability on "secondary" and "tertiary" trades. On these trades, strong demand growth has been overwhelmed by massive supply inflow, resulting in falling freight rates.

Demand growth on intra-Asian trades grew by 4.2% in the first eight months of 2017 (source: CTS). Total European imported volumes grew by 4%, to reach 21.2m TEU. Growth on the Far East to Europe trades was strong at 5.4%, accounting for little more than half of all European TEU imports.

A better economic performance recently seen in Europe, as discussed in the macroeconomics section of this "Shipping Market Overview & Outlook", has benefited container shipping at large. Head haul transatlantic from Europe to North America, grew as much as 7.9%. Overall, the global container volumes went up by 5% year-on-year for the first eight months.



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The average spot rates for US and Europe bound routes have dropped by 22% since the end of July. In fairness, prices on so-called contract volumes have held the CCFI (China Containerized Freight Index) up quite well, while spot rates have dropped. The CCFI is down 8% since the end of July, the CCFI being the better indicator for developments in liner profitability.

With demand growing briskly, why are spot freight rates falling significantly on all those trades?

Because of the liner companies' interest in 'testing' the strength of the market, they deploy tonnage into the trades until the freight rates drop! Only by doing that, can they reveal the true strength of demand.

Despite running regular service cuts around Chinese Golden week in early October, an event which brings down demand - freight rates kept falling.

During the months of May through to September, we have seen the idle fleet drop further to reach 495,000 TEU by 2 October 2017. Now that we are entering the winter season where the transported volumes always go down from Q3, the management of deployed capacity on individual trades and throughout the entire network will be essential to limit losses.

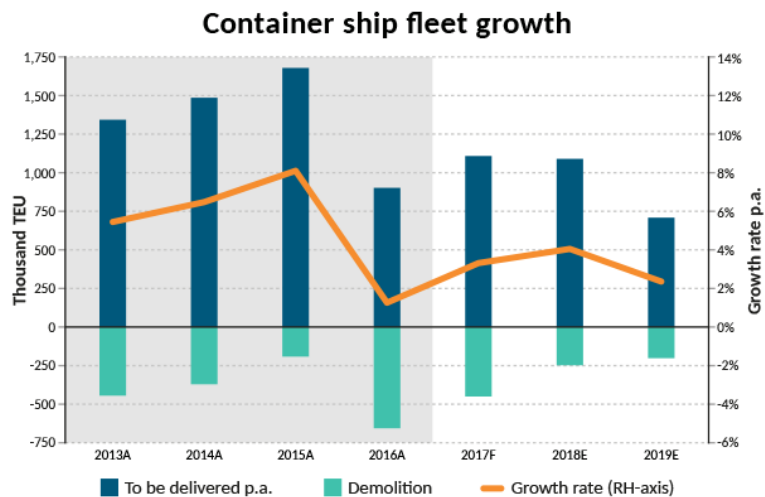
Supply

It has been a steady year in terms of newbuild deliveries into the container shipping fleet. As nine months have already passed, we have seen 898,000 TEU delivered. BIMCO expects 1.1m TEU to be delivered for the full year. This is more than the 905,000 TEU that was delivered in 2016, but it is likely to be on a par with 2018-deliveries. Perhaps most importantly, deliveries will be lower than any year since 2008. So, what makes the difference in between years? The short answer is the level of demolished capacity which is leaving the active fleet for good. After the new all-time high of 654,000 TEU in 2016, the improved market was set to reduce demolition. For the first nine months, we have seen 356,000 TEU sold for demolition. The main differences from 2016, are that the demolished ships have become older again (up from 19 to 21 years on average) and they have become smaller in size.

2016: Average size 3,373 TEU – Average year built 1997 (19 years old)

2017: Average size 2,891 TEU – Average year built 1996 (21 years old).

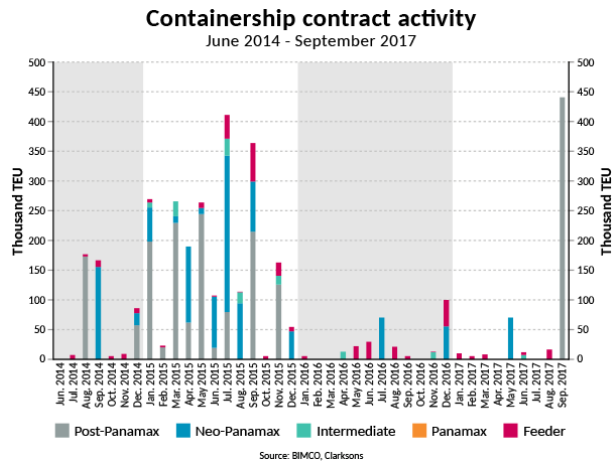
In total, this brings BIMCO's fleet growth forecast for 2017 to 3.3%.



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2017-2019 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 30% of the remaining vessels on order are delayed/postponed.

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Following two years of next to nothing being ordered, September broke the trend. Orders of nine and 11 units of 22,000 TEU were placed at South Korean and Chinese yards in September. So why are we seeing new orders in a market haunted by overcapacity? One reason could be that chartered-in ships are redelivered upon yards' delivery of the newbuilds.



Sale and purchase activity has been extensive in the containership sector too. The reason being the same as in the dry bulk sector. A disparity between second-hand prices and newbuild prices has made fleet expansions in the second-hand market significantly more attractive.

Outlook

We have seen profits returning (at least for a while) on several trades, but the market is still very challenging and many trades are still delivering lossmaking freight rate levels. The same goes for the charter market where the lift in the run up to 1 April- when the new alliances were launched - has only slightly reversed and still remains a far cry from past highs.

The fragile recovery needs assistance and some caretaking. Overcapacity will remain an industry challenge for years to come and keeping sailing speeds at present levels will be critical for the recovery to stay on track. In this regard, it's worth noting that many of the existing very large containerships and those on order, seem to fit Far East to Europe strings of 9 to 11 ships, as opposed to the string size of seven-nine ships before slow steaming was widely implemented.

For the coming months, volumes will decline seasonally until February. During that period however, the fleet is expected to continue growing. Handling this will also be a recurring seasonal challenge.

Bearing in mind that freight rates are still dropping in mid-October, so striking the right balance must be a priority to stop declining profits. The rates on key trades have once again become so low that any profits have evaporated.

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(3) Hellenic Shipping News, 7 November 2017/ International Maritime Organization

Port State control regimes move to boost collaboration, harmonization and information sharing

The port State control regimes which carry out inspections on ships to monitor and enforce compliance with international regulations have pledged to strengthen their collaboration with the International Maritime Organization (IMO) and amongst themselves.

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A recent workshop (24-26 October) for port State control (PSC) MoU/Agreement Secretaries and Database Managers and Member States, the seventh of its kind, was held at IMO headquarters in London, United Kingdom. Participants shared experiences, highlighted new projects and approved a wide range of recommendations, which are aimed at further collaboration, harmonization and information sharing. The recommendations will be forwarded for review by IMO and the regional governing bodies of PSC regimes.

Since the first regional PSC agreement was signed in 1982 (the Paris MoU), IMO has supported the establishment of eight other regional PSC regimes, achieving a global maritime network. The areas of responsibility of the nine regional regimes cover all (or part of) Europe and the north Atlantic (Paris MoU); Asia and the Pacific (Tokyo MoU); Latin America (Acuerdo de Viña del Mar); Caribbean (Caribbean MoU); West and Central Africa (Abuja MoU); Black Sea (Black Sea MoU); Mediterranean Sea (Mediterranean MoU); Indian Ocean (Indian Ocean MoU); and Persian Gulf (Riyadh MoU). The United States Coast Guard maintains the tenth PSC regime.

The Workshop noted the growing number of PSC regimes implementing targeted inspections mechanisms, as well as incentive schemes, so that ships found in compliance with international standards are subject to fewer inspections, while substandard ships are targeted more.

The regimes feed IMO with PSC information, which has potential significant relevance to the IMO regulatory process. Specifically, annual reports on inspections and the outcome of concentrated inspection campaigns are reported to the IMO Sub-Committee on the Implementation of IMO Instruments (III). Furthermore, data exchange agreements enable a PSC module on the Global Integrated Shipping Information System (GISIS) to be populated.

Among the recommendations made by the meeting, the PSC regimes agreed to explore the development of statistical output and to look into the compatibility of their systems. They also agreed to consider moving away from “black/grey/white lists” towards expanding an individual ship risk profile approach. As a potential step towards mutual recognition of other regimes’ activities, the PSC regimes agreed to convey to their regional governing bodies the recommended use of the results of interregional information exchanges in their internal procedures, including their targeting systems.

The Workshop recommended that PSC regimes consider developing and maintaining, in their information systems, a coordinated list of under-performing ships. The possible development of a common platform for interregional exchange to facilitate informal exchange among PSC regimes, as well as the development of joint working policies, were also recommended.

The Workshop considered the possibility of establishing an outreach partnership between IMO and PSC regimes, the objectives of which would be to disseminate the outcome of the work of IMO; to collect first-hand feedback on implementation; and to develop technical cooperation and capacity building activities. Appropriate fora at IMO and in PSC regimes will be invited to consider this matter.

Existing technical cooperation activities, partially supported by IMO in order to encourage the sharing of expertise among PSC regimes, should be enhanced under IMO’s Integrated Technical Cooperation Programme (ITCP).

Recognizing the need for training of new entrants in port State and flag State personnel, the Workshop recommended that IMO consider developing a harmonized training manual for use by flag State inspectors and PSC officers.

To support the implementation of the Code of Good Practice included in the IMO Procedures for PSC, the III Sub-committee will be invited to consider developing a format for a “PSC letter to the Master”. This would set out how an inspection would be carried out and would be signed by both the PSC officer and the Master. The Workshop also recommended that a dedicated GISIS facility for complaints could be developed.

The Workshop considered the simplification of reporting procedures for port States, in the context of practical data management involving both IMO and the International Labour Organization (ILO). The meeting requested the IMO Secretariat to liaise with the ILO Secretariat, with a view to establishing a “single window” system, through GISIS.

Finally, the meeting recommended that future workshops be held every two years. The agenda should include discussion on the use of body cameras by PSC officers.

Funding from the IMO “Voyage Together Trust Fund” supported the participation of representatives of the nine regional PSC regimes at the seventh IMO Workshop for PSC MoU/Agreement Secretaries and Database Managers, with an increased focus on Member States’ representatives. The meeting was

chaired by Dr. Vitaly Klyuev (Russian Federation), and Ms. Carien Droppers (Paris MoU) was Vice-Chair.
Source: IMO

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(4) Clarksons Research, 3 November 2017

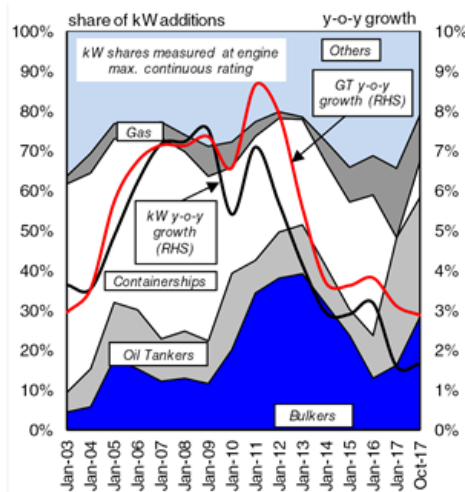
More Efficient Ships? Technology, Not Witchcraft!

Just prior to Halloween, the UN announced that levels of CO₂ in the atmosphere reached new record levels of 403 ppm in 2016. The shipping industry remains a broadly efficient transportation solution in terms of emissions per tonne of cargo, but the news will only increase the focus on what new action may now be necessary, against the spectre of substantial fleet growth over the last decade.

Graph of the Week

Marine Engine Power Additions: Not Black Magic

The lines on the *Graph of the Week* represent the year-on-year growth in the world fleet in the twelve months prior to each start year and in 2017 year to date. The red line shows growth in GT terms, whilst the black line shows growth in terms of main engine power output in kilowatts (kW). The areas on the graph show the relative share for each of the major fleet segments of net additions to the fleet in terms of main engine power output in kilowatts. A wide range of data on engines and propulsion is available on Clarksons Research's *World Fleet Register*.



Source : Clarksons Research

Scary Stuff?

Unlike in the case of emissions of NO_x and SO_x, CO₂ emissions have so far not seen 'top-down' efforts lead to a deadline such as the 2020 global sulphur cap. However, the EEDI system was implemented in 2013, and the EU will introduce a monitoring regime for ships calling at EU ports from start 2018. However, in addition to 'top-down' EEDI regulations, owners' actions have also begun to have an impact. Whilst stimulated initially by a desire to save on bunker costs, moves into "eco" ships (and towards slower speeds) have also helped to limit emissions.

Trick Or Treat?

During 2003-08, the fleet grew by 34% in GT, and 32% in kW main engine power terms. More than 40% of net growth in kW terms was represented by containerships. But, following the onset of the downturn, slow steaming and a focus on "eco" ships meant that a gap appeared between the growth rates in GT and kW. In 2008-13, despite 42% growth in GT terms, the fleet grew by 34% in kW. In fact, annual growth of the world fleet in kW terms was 2.2 percentage points slower than growth in GT terms by 2012.

Although slightly narrowed, a differential has been preserved in subsequent years.

Deliveries of containerships optimised for slower steaming were a major contributor to this trend.

Additionally, a new ordering wave of low-speed, "eco" bulkers was encouraged by Chinese government spending, as well as attractive yard pricing. The slower growth rate of the fleet in engine power terms has also been influenced by 'upsizing', in containerships in particular. Boxships are now being delivered with capacities of more than 20,000 TEU. These have lower power/TEU ratios. This means they start to contribute less to kW additions, and indeed to emissions on a per TEU basis.

At the same time, many less power efficient, smaller boxships have been scrapped. In numbers terms, the containership fleet has declined over the last 18 months, such that the total kW output of the

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containership fleet actually fell across 2016. Overall fleet growth in kW fell to 1.6% in 2016, with oil tankers and gas carriers taking a greater share of net growth. Oil tanker deliveries rose by 68% in GT in 2016, while 23% more gas carrier tonnage was delivered (this led to 4.8% fleet growth in kW for oil tankers, and 9.2% for gas carriers).

No Magic Answers

Overall, since 2009 the fleet's average main engine power per GT has declined by 10% to 0.43 kW/GT, having previously been steady for more than a decade. Lower power does not automatically mean lower emissions, but the new generation of "eco" ships has been helpful, both for bunker bills and the environment. Of course, this is far from the end of the story: shipping still has a long way to go as part of the future push towards a lower carbon world. Have a nice day.

Source: Clarksons

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(5) Hellenic Shipping News, 9 November 2017/ Carbon War Room

Banks Explore Challenges Decarbonisation Poses to Ship Finance

At a Global Maritime Forum roundtable in London yesterday, the Carbon Pricing Leadership Coalition and global NGO Carbon War Room, worked with shipping leads from major global financial institutions to explore the challenges of decarbonisation for ship financing.

With the launch of the [report](#) Preparing shipping banks for climate change: How can internal carbon pricing help ship-financing banks in risk management?, the two organisations called for shipping's financial institutions to begin analysing and managing the risks created by the shipping industry's imminent decarbonisation. In order to do so, they suggest that the industry unites around a global standard for maritime-specific climate risk assessments.

The report outlines the drivers of decarbonisation of shipping markets. The drivers include the International Maritime Organization's (IMO) plans to adopt regulations for reducing emissions from shipping and the possibility of shipping being brought into the EU's Emissions Trading Scheme (ETS), both from 2023, and science-based targets initiatives that could also apply pressure from outside the maritime sector to reduce emissions. The report also outlines the role that the Paris Agreement could play in depressing demand for the transport of key commodities like petroleum products and coal.

Moreover, the report suggests that the shipping industry begin to consider methods, such as internal carbon pricing or other shipping industry-appropriate tools, to analyse the potential climate-exposed finance that is part of the existing \$355.25 billion global loan book as well as new investments. The report concludes that to overcome key barriers to achieving this, it is in the interest of financiers to move together in creating a global standard for maritime-specific climate risk assessments.

Internal carbon pricing, which is already used by 32 percent of companies, according to an October 2017 report by CDP, means that the future potential costs of investments are factored into the bottom-line as dollars per ton of CO₂. This enables decision-makers to clearly see when a carbon-intensive investment offers more risk than reward as the world works to keep global temperatures well below a 2-degrees Celsius increase.

The roundtable was part of the Task Force on Decarbonizing Shipping, an industry-led initiative working to develop tangible decarbonisation pathways for the industry. A finance working group aims to deliver principles for integration of climate risk into lending decisions as well as to foster the development of best practices and tools to support their uptake. The Task Force on Decarbonizing Shipping is a collaboration between the Global Maritime Forum, Carbon War Room, the Carbon Pricing Leadership Coalition (CPLC), and University College London (UCL).

Angela Churie Kallhauge, lead, Carbon Pricing Leadership Coalition (CPLC), said, "As nations implement the Paris Agreement, the financial sector is also working to understand and manage the risks and opportunities created by this fundamental shift in the global economy. The CPLC, a global convener of governments, businesses and civil society around carbon pricing, works with partners to share experiences, methodologies and challenges as different sectors begin to incorporate climate risk and

opportunity into their business plans. In the shipping industry, financiers will play a key role in ensuring the successful decarbonisation of the sector.”

James Mitchell, finance lead, Carbon War Room’s Shipping Program, said, “Ships are carbon-intensive assets designed with a life span of up to 30 years. A newbuild financed today will likely need to operate under a carbon price before its first five-year drydock, when modifications can be made. Yet today most lenders are making decisions without even factoring energy efficiency into lending decisions. By the end of its life span in 2050, that vessel could need to operate close to 90 percent more efficiently than when it was first delivered. We are working to ensure that the expertise of ship financiers is fully leveraged to enable and even accelerate the profitable decarbonisation of the shipping industry.”

Michael Parker, Member of the Board of Directors of the Global Maritime Forum and Global Shipping & Logistics Industry Head for Citi, said, “On behalf of the Global Maritime Forum I was pleased to host this round table. Shipping bankers and other capital providers are working proactively to understand the impact of likely further global environmental regulation on the maritime sector and we are happy to engage in a discussion about helping the industry adapt to the decarbonisation agenda.”

This report is the latest step in Carbon War Room’s work with key partners to ensure that the industry’s financiers support a successful decarbonisation of the shipping industry. The report builds on the February 2017 research paper by UMAS and Carbon War Room “Navigating Decarbonisation: An approach to evaluate shipping’s risks and opportunities associated with climate change mitigation policy,” which established that climate policies will impact shipping markets and require actions by financiers and shipowners.

Source: Carbon War Room

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(6) Drewry, 6 November 2017

Upbeat outlook for dry bulk charter rates from 2018 onwards

Drewry expects dry bulk shipping charter rates to recover from the second quarter of 2018 on the back of strengthening Asian iron ore demand, according to the latest edition of the [Dry Bulk Forecaster](#), published by global shipping consultancy Drewry.

For the medium and long term, Drewry holds the same views as in previous forecasts. Chinese steel production is expected to pick up pace at the end of winter, in the second quarter of next year, by which time production curbs will have relaxed. Strong infrastructure and construction activities will further strengthen steel consumption. Meanwhile, the Chinese government is closing down inefficient and highly polluting mills; this will pave the way for efficient millers to produce high quantity steel, strengthening demand for high-grade imported ore. Growing grain consumption in African and Asian countries will support grain trade.

China driven Belt and Road initiative (BRI), previously known as One Belt One Road, will also drive dry bulk shipping in the long run. The Chinese government is planning to invest heavily in infrastructure development to revive the 16th century silk-route from China through Central Asia and the Middle East to Europe, extending to the maritime route linking China to Southeast Asia and East Africa by sea. The BRI would involve building new ports, roads, railways, power plants and pipelines. This highly ambitious project will create strong tailwinds for dry bulk shipping, taking into account the massive planned infrastructure development undertaken by the Chinese government, which can entail an expenditure of up to USD 8 trillion by 2020.

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On the supply side, the dry bulk fleet will grow at a moderate pace in the coming years. Improving charter rates are reviving the interest of shipowners in the newbuild market; however fleet growth will remain in check because of the thin orderbook and IMO regulations (low deliveries in the short-term and high demolition activity in the long-term). Hence, a big chunk of the orderbook will be replacement tonnage.

Nonetheless, there is a downside for the short term. To tackle pollution caused by high coal consumption in the winter months, the Chinese government is planning to cut down steel production between November 2017 and March 2018. This will directly impact demand for iron ore in the short term. As per the proposed policy, the government might impose a 50% cut on existing steel production of 40 million tonnes, but this goal looks highly ambitious.

"We believe a 25% cut is more achievable, in which case there would be a reduction of 20 million tonnes of steel production, which as a result, would reduce demand for iron ore. Even though iron ore demand will remain strong in other Asian countries, such as South Korea and Taiwan, we do not expect this demand to be strong enough to offset the impact of reduced demand from China," commented Rahul Sharan, Drewry's lead analyst for dry bulk shipping.

"In brief, the next few months notwithstanding, a bright future is expected for the dry bulk charter market, providing solace to shipowners and shipyards alike," added Sharan.

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(7) Hellenic Shipping News, 9 November 2017/ Chinese Government

China: Economy shows bright prospects

China's economic growth rate has maintained the growth range of 6.7 percent to 6.9 percent for nine successive quarters. Last month, the International Monetary Fund (IMF) raised its growth forecast for China's economy to 6.8 percent in 2017 and 6.5 percent in 2018, anticipating that China will retain its unrivaled economic growth rate.

Rising growth forecasts across the board

Aside from IMF, multiple organizations raised their forecasts for China's economy. For 2017, Singaporean Ocbc Bank raised it from 6.5 to 6.8 percent, and 36 economists at Reuters from 6.6 to 6.8-percent; for 2018, Goldman Sachs forecast a 6.5-percent growth rate, up 0.2 percentage points.

Additionally, financial market stakeholders held a positive outlook on China's economic prospects, Bloomberg reported, based on many professional preliminary assessments.

Combination of traditional and new drivers

China's surging new drivers, compounded with the revitalized traditional drivers, jointly propelled its economic growth, said Zhou Jingtong, division head at Bank of China's Institute of International Finance. According to statistics publicized by the National Bureau of Statistics, the value added growth rate of industrial enterprises beyond designated size reached 6.7 percent in the first three quarters this year, up 0.7 percentage points year-on-year.

The recent accelerating industrial restructuring and upgrade, along with plant equipment transformation and production line upgrade, have contributed to higher productivity. This further lifted China's manufacturing to a mid-high level, with an overall increased efficiency and strengthened competitiveness, said Zhang Liqun, a researcher at the Development Research Center of the State Council.

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Consumption contributes to economic growth

Consumption demonstrated its rising momentum in driving China's economic growth. Total retail sales of consumer goods retained a double-digit growth, up 10.4 percent year-on-year. Meanwhile, consumption's contribution rate to economic growth ascended to 64.5 percent, up 2.8 percentage points year-on-year. China's industry development has hinged upon consumption upgrade since the policy of reform and opening-up. Being the predominant and most lasting driver for the economy, China's ever-growing consumer demands will facilitate a new higher-level industrialization, urbanization, agricultural modernization, and eventually the growth of more profitable investment demands, said Zhang.

Cutting-edge innovation

China has been seeing technological innovation accomplishments coming to the fore and spearheading the global innovation wave, including bike sharing, online transactions, big data, and high-speed rail. Gone are the days when China was merely an imitator, and it is now an exceedingly active player in innovation, credited with its world-class internet-based innovation and other emerging achievements. Innovation has become a lasting and strong driver for economic growth, said Zhao Ping, a director at CCPIT Academy.

China's economy benefits immensely from its innovative industrial system and expects more development in the long run by virtue of increasingly frequent social innovations, said Wang Ping, executive dean of the Chongyang Institute for Financial Studies at Renmin University of China.

Source: The Central People's Government of the People's Republic of China

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