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The combination of the Covid-19 pandemic and Brexit has taken its toll

Collision of politics and a pandemic

Gillian Clark discusses the lessons learnt from Covid-19's stress test on logistics

Gillian Clark

There could not be a worse time to be facing the prospect of a no-deal Brexit than one where we stand in the shadow of a global pandemic.

But as an industry the need to balance politics with economics is nothing new. We have long been the focus of environmentalists, be it in respect to changing fuels, pollution prevention in its many guises, ship breaking or a whole host of other topics. Fuel and associated operational costs have never been higher as a result and so it is little wonder that we have seen so many unfortunate casualties.

Economic sanctions are on the increase across the world meaning everyone from shipowner to broker to port agent needs to be constantly vigilant, often turning down lucrative work due to fear of those sanctions. For an industry not known historically for its embrace of modern technology we have been forced to do exactly that in the face of increasing attempts from some quarters to cash in on our reliance on that same technology, with several ransomware attacks being seen of late, costing the industry millions. Crew education, training and welfare could not be more important in the face of all this.

As an industry we know that we are to brace ourselves for the impact of Brexit although we still do not have a clear idea of what that impact will be or how it will affect our respective roles. We know to expect procedural changes, potential delays and increases in operational and other expenses. Some organisations have had to shift their entire businesses elsewhere.

But perhaps there is a lot that we can take from our response to Covid-19 as the end of the year – and transition period – creeps ever closer. Facing a sudden decline in demand for many items and public panic for others, logistics systems have been tested to their fullest extent this year, notwithstanding the huge losses in economies of scale that our industry relies so heavily upon to survive.

Crew crisis

Add to that the crews at sea facing months without repatriation because of those same closed borders and the very real prospect of Covid-19 on themselves and their families at home.

While the advice to us all was to remain home and stay safe, those working in and around our ports were still reporting for duty each day to keep cargo moving and other workers safe. Each day bringing more uncertainty.

On a more local level, the North East of England Branch, like so many others and the Institute as a whole, has continued to support its members and students despite having lost the ability for much-needed fundraising events and face-to-face teaching and support. This despite so many challenges which have seen businesses operating with decreased capabilities and many students finding themselves furloughed. Those same students will be at the forefront of future change so this could not be a more important time.

Additionally, with so many events cancelled, many branches will struggle to provide the support they have previously done to welfare organisations and other charities, at a time when they are most in need.

While we have proven that as an industry we can respond effectively to what might be the biggest global crisis in a lifetime, few of us will come out of it entirely unscathed. And it certainly will not be the last crisis that we will face. But what we can be sure of is that we WILL adapt. Because that is what our industry does best. **SN**

Gillian Clark is chair of the North East of England Branch of the Institute.

Staying calm under pressure

Politics and economics have become so intrinsically linked over the past decade that there are now suggestions floating on the web of ways to combine the words to give greater clarity. Consider 'Politec', 'Polecomony', and my personal favourite, 'Politecon'.

Singularly or combined, small shifts in either invariably have a large impact on trade routes, volumes and flows. And this has not been a year of small shifts. 2020 will go down in history as a year of cataclysmic change for both the economy and for politics and much more in between.

Shipping has soldiered on regardless of the US presidential battle, regardless of the on/off Brexit trade talks and regardless of double-digit plunges in world economic growth.

While the world has battled the health pandemic, world trade has continued to move allowing nationals in every country to continue to live in relative comfort. Heating or air con continues to function thanks to the movement of fuel to power energy plants; food is still available to buy thanks to the reefer and container ships that bring in fresh produce; and the home renovations that so many locked-down residents have embarked on went ahead thanks to the import of steel and aggregates.

With an outlook that is going to get worse before it gets better, at least we can rely on shipping to keep delivering. **SN**

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The prospect of 'no deal' on future EU-UK trade is unsettling for the sector

Harsh realities of Brexit stack up

Felicity Landon digs into the devil of the UK's exit from the EU as deadline day looms


Felicity Landon

Queues of up to 7,000 port-bound trucks; associated delays of two days; a de facto Brexit border for lorry drivers entering Kent; lorry drivers required to hold a 'Kent access permit' before proceeding for the EU; the UK government procuring freight capacity to ensure that Category 1 goods, including critical medicines, can continue to be imported.

> **Topic: Trade**
>
> **Key words: Brexit; supply chains; agreements**
>
> **Background info: With the end of the transition period nearing, the true impact of the UK's departure from Europe will soon be felt**

This is not 'Project Fear' but the UK government's own 'Reasonable Worst-Case Scenario', as outlined in a letter sent to trade bodies by the chancellor of the Duchy of Lancaster, Michael Gove, in September. If anyone doubts the real or potential impact on shipping of trade deals (or lack thereof), this is the document to read.

For months, the UK's shipping, ports, logistics and transport professionals have been grappling with the realities of trading post-Brexit. As the 'deal/no deal' pantomime has unfolded, the only actual reality has been uncertainty – and the potential for Brexit upheaval to spread so much further, across the European Union and even around the globe.

"A lot of people don't realise, but this divorce will eventually have an impact on every single trading nation in the world," says Punit Oza, executive director of the Singapore Chamber of Maritime Arbitration and vice chairman of the Institute's Singapore branch. "People who are expecting a smooth transition post-Brexit are living in a fairy tale."

Mr Oza, who is an expert lecturer in geopolitics, says Brexit is not viewed as something positive – and it will have trade, technology, training and legal implications. There is scepticism in the ASEAN region over potential future dealings – because in terms of trade agreements, it has historically been easier to deal with the EU as one party for Europe, he says. "Now the UK wants to work individually with ASEAN countries – Japan being the first."

Language wins

He says a key advantage for the UK internationally has always been the English language. For Singaporeans, less likely to be fluent in French or Italian, the UK has been a good place to base operations for Europe.

"For example, SGX (the Singapore Exchange) bought the Baltic Exchange, partly as an SGX access point to the rest of Europe. Now they need to have separate offices and probably the synergies will become less and less because there won't be free movement. So these changes will create sometimes intangible challenges – not the minute Brexit happens, but they will come.

"Look at transhipment from the UK to the EU. Supply chains are already stretched by Covid-19 and a lot of organisations will have to choose between Europe and the UK. Shipping depends on trade and if traders and commodity houses move from the UK towards Europe, will the UK lose out, where previously it had the advantage of linking up with other European organisations seamlessly?"

Mr Oza is particularly concerned about the legal implications of a post-Brexit world. "Even though we have had a lot more Singapore arbitration in recent times, most still prefer to use English law. Many parts of English law have been influenced by EU regulations over the years. There is a lot of interest in how the decoupling of regulations will happen. If there is an incident, can you be really clear what the legal position is? The moment you have uncertainty, people will get nervous."

In English law, there is a default position to common law, he points out. What happens now? "Contracts may not change dramatically, but interpretation might – it may be open to challenge post-Brexit."

It is crucial that politicians clarify the situation around legal decoupling, tariff structures, and other issues, he says. "All of the uncertainty will create barriers for trade. If people are not sure of things, they will take more time – that can cause delays. Or they may simply decide not to go ahead with a shipment – that is one less ship needed. I expect challenges to contractual clauses, and this will cause a huge amount of work for lawyers. Legal matters are expensive. New contracts being signed will require consultation on clarity."

"Ultimately it will come right. But I do believe it will take five to ten years where it will be very tough" – *Peter Aarosin*

Delays inevitable

In Liverpool, Alan Kristiansen, operations director at Armitt Group, says that UK industry is heavily reliant on supply chains originating within or passing through the EU and EFTA countries – and this is unlikely to change for the foreseeable future. "What this will mean, in all likelihood, is that there will be massive administrative and bureaucratic burdens, certainly in the short term. There are almost certainly going to be long delays in importing and exporting goods, along with price increases to accommodate the cost of new levels of administration required."

Transhipment and cabotage

One effect of Brexit might be the return of transhipment of bulk cargoes, says Martin Pettinger. "One of the main trades in the 1970s was the transfer of bulk cargoes from deepsea ships in Rotterdam and Antwerp, directly to coastal vessels for onward carriage to the UK and Ireland. It's likely that, by doing so again, this would avoid the need to customs clear the cargo into the EU and again into the UK. The need to arrange coasters to load from a deepsea ship at exactly the right time was a fine art and affected the charter freight levels significantly: these situations might arise again."

And then there is cabotage. Although this has unofficially continued in some countries, against the spirit of the EU rules, that has not been the case in the UK. "Brexit could allow the UK to legally subsidise the building of coastal ships and encourage the shipping trades without breaking the rules. However, given the UK government track record on shipping, I suspect that this is unlikely, while the EU rules never really stopped other countries from doing so in practice anyway."

Why does all this matter? Mr Pettinger says: "Trade is the lifeblood of most countries, and especially for the UK. Most of the surplus of the UK balance of trade is in international services, shipping and trading, and any restriction on these, even to a slight degree, will seriously impact the economy of the UK and the lifestyle of its population. The UK imports a high proportion of its food and consumer goods, and any interruption or delay to these will result in shortages and price increases, even on basic foodstuffs, and other essentials.

"However, until the Brexit deal has been done (or not) and the terms of trade deals with non-EU countries are known, it's really not possible to know what the actual effects of the UK leaving the EU will be. International trade is such an impossibly complex interconnected system, and changes in one aspect can have far reaching and highly unexpected effects in other parts of the world and other trades."

The bleak reality: "The potential ramifications of Brexit are enormous. It is so difficult without knowing what people will decide to do and when we don't know what the deal is going to be. You can make yourself as adaptable as possible, but you can bet what will happen isn't what you prepared for. There is complete uncertainty." *SN*

"In the short term at least, and probably for longer, I fear all this will be an administrative nightmare, and the delays for trucks and containers at ports can be imagined." – *Martin Pettinger*

He believes that in terms of ports, there is unlikely to be any immediate significant shift, as supply chains on the whole are long established and well embedded. However, he says: "Ports that can offer greater flexibility in terms of customs arrangements and quicker turnarounds will be at an advantage – particularly those that can offer the likes of GMVS (Goods Vehicle Movement Service), ETSF (External Temporary Storage Facility), bonded warehousing, temporary storage, and so on."

But he warns that the levels of additional administration, and the time it will take to implement, will cause a great deal of disruption to businesses, manufacturing lead times, costs and delays in ports and onward transport.

Without clarity over what type of deal (or no deal) is concluded, many businesses have been unable to prepare fully, he says – but what is clear is that shipping, ports and the wider maritime industry will have to adapt quickly and take a flexible approach, rather than falling back on established working patterns. "They should implement as many procedures and arrangements open to them as possible, in order to mitigate delays in border checks, customs checks and the new layers of bureaucracy that will be implemented."

There is confusion on how decoupling from EU regulations will happen

Worst case scenario? "'No deal' would devastate the economy, place an unworkable burden of administration on businesses and their supply chains, and there will be long delays for goods, impacting retail and manufacturing. Ireland/Northern Ireland would be in an almost unworkable position, with cross-border movements being extremely difficult, which may result in material being shipped directly to Ireland instead."

Mr Kristiansen believes new trade deals will be inevitable and may open the UK up to other markets, with more vessels arriving from the US, Canada and Brazil for example. "That may benefit west coast ports – however, with most supply chains already established, current routes remain the focus for most businesses. The most vital trade agreement for the UK is one with the EU."

Computer pain

Martin Pettinger, a member of the Institute's London & South East Branch who has been a coastal and shortsea shipbroker since the 1970s, says the ramifications of Brexit will be enormous.

"Basically, shipping exists to facilitate trade and has to adapt to whatever trade does. Shipping has always been able to do that – even when it causes a lot of pain," he says. "I don't see that changing in principle. But the big effects are going to be in documentation.

"Before the UK went into the EU, there was an army of customs clearance clerks in the office of every ship agent and forwarder, preparing clearance documents for presentation at the customs house, in hard copy, as computers were not developed enough by that time. These clerks are no longer available in any number and the skills have disappeared. While the clearances will no doubt be done online, getting the computers and software up to speed, not to mention the personnel, will be a challenge."

Each truck and container will need to be individually entered and cleared, something that has not been needed for decades, he points out. "All EU countries, and especially the UK, are going to have to set up systems to individually clear goods of all types, an inspection and checking system to make sure the goods are as declared, and a mechanism to collect and enforce payment of the customs dues. The software problems in particular are likely be daunting. So, in the short term at least, and probably for longer, I fear all this will be an administrative nightmare, and the delays for trucks and containers at ports can be imagined."

Mr Pettinger says one response has already emerged, at least as a contingency. Over the past 20 years, companies have increasingly bought goods by the truckload as part of a just-in-time supply chain, reducing financial and warehousing costs. That works well until the truckload they need is stuck in a port or there is a shortage of trucks because of delays.

"Some importers have looked into the possibility of changing to importing a whole shipload of several thousand tonnes at a time and warehousing it in the UK for internal distribution. A single cargo needs just one customs clearance and this can be done away from the main ferry entry ports where the congestion will be worst. The extra cost of warehousing and finance would be offset by the cheaper sea freight and the security of supply."

This might increase the demand for coastal shipping and create high demand for warehousing near or at the port – something which is already in short supply, he says, so we can expect an increase in the building of warehousing.

Logistics pressures

Peter Aarosin, director of Danbrit Holdings, also predicts a huge shortage of warehouse space. "At the moment you can call up and get any quantity delivered in two to three days from anywhere within the Single Market. That will obviously stop. If people move away from just-in-time delivery, they will need to import and store more stock – and that is obviously going to put tremendous pressure on logistics."

Mr Aarosin, who is also a director of Essex Cement at Oliver's Wharf in Brightlingsea, also expects more coasters and smaller ships to come into play.

"Road-based logistics is still very much linked in with sea-based logistics. If we get stoppages at the borders, with lorries stuck for half an hour or an hour, that will ultimately lead to a huge shortage of lorries on UK roads," he says.

"Ultimately it will come right. But I do believe it will take five to ten years where it will be very tough. It will be like the winners and losers in Covid-19; you will get something similar next year, but because of the loss of the Single Market. It will take the country four or five years before they have enough customs officers to be able to deal with the business. It will be a question of just doing the best you can."

He has always been very pro-EU: "But I take on board that we lost that argument. You can't go on being bitter about the UK losing the benefits of the Single Market. You just have to make sure you do the best out of it, so that the country isn't suffering, and take the opportunities that are there to take."

However, the frustration over the uncertainty is never far away. "We don't know what is going to happen. We get all these emails from the government telling us we are not prepared – but how can we be prepared when we don't know what to prepare for?" SN

Potential for new UK-Australia links

What does Brexit and the talk of a UK-Australia trade deal mean for shipping in Australia?

"Frankly, from the shipping point of view, we are nonplussed," says Nigel D'Souza, director of OceanXpress Shipping & Logistics, based in Melbourne, and chairman of the Institute's Australia/New Zealand Branch. "There are two reasons for that – shipping will react to demand when demand comes, and also we know from free trade agreements we have with several countries that our industry will take a long time to derive any benefit. Politicians are fond of standing up in front of the public and saying, 'we are going to do great things', but nothing happens."

Because of the historical relationship, there is a great deal of hype over a potential trade deal, he says, but there is "no way they are going to start bringing lettuces or tomatoes to the UK from here". More realistic is more export of frozen meats, and Australia's biggest cargo to the UK is wine. There might also be imports from Britain of high-tech and IT goods and renewable energy related tech.

However, Capt D'Souza points out: "Australia itself has almost no domestic shipping, so it will be foreign carriers' capacity that will increase when the time comes. And Australia already has an open market with mostly no charges and a maximum 5% tariff."

The great thing about shipping in the general sense is that it is a very dynamic and flexible industry, says Capt D'Souza. "It changes very quickly. Container ships can switch direction and hub ports already exist. We don't expect to be suddenly exporting more iron ore and coal to Britain but it could be like going back decades to the time of Bank Line, when lamb and other meat was the mainstay of the shipping industry from here to Europe." SN

Stop delaying future fuel decisions

Tristan Smith urges oil majors to become part of shipping's decarbonisation solution

Tristan Smith

Shell recently had a spectacular backfire on Twitter. They published a poll asking: "What are you willing to change to help reduce emissions?" Only 199 poll responses were received. But the subsequent reaction quickly sent the original tweet into the stratosphere. As US House candidate Alexandria Ocasio-Cortez put it, with a tweet receiving 400,000 likes: "The audacity of Shell asking YOU what YOU'RE willing to do to reduce emissions… the suggestion that indiv [sic] choices – not systems – are a main driver of climate change."

Topic: Fuel

Keywords: Decarbonisation; alternative energy; greenhouse gas

Background info: Oil majors need to stop talking and start acting on their statements on reaching carbon neutrality in shipping

Oil majors (and obviously not just Shell) are deeply embedded in the shipping system; to enable shipping's decarbonisation they need to lead and not deflect responsibility to individual shipping companies. They are technology developers, fuel producers, energy supply chain solution providers, fuel users in the many ships they own and operate, and they are major charterers of tonnage servicing global fossil fuel supply chains.

It is time that oil majors played a much more active role in implementing decarbonisation, as opposed to deploying rhetoric. While many have made statements about where they want to be in 2050 – with a bit too much use of the word 'net' given what this implies about offsetting – they are conveniently not recognising what needs to happen in the 2020s. This is enabling a narrative that justifies status quo and risks another lost decade, just when we need to be moving faster.

This tactic of setting a very long-term window gives them the space to continue talking about what they plan to do, rather than actually actioning their plans. But this undermines confidence that these companies are taking future risks and opportunities seriously. This is a problem for shipping if it wants to meet the International Maritime Organisation's ambitious greenhouse gas (GHG) targets as well as the more general objectives in the Paris Agreement to stabilise temperatures well below 2 degrees and pursuing efforts to stabilise below 1.5 degrees.

LNG is not necessarily the answer to decarbonising the industry

LNG misdirection

A key example of the inconsistency between the needed near-term action and rhetoric is that the oil majors – and significant other parties – are still pretending that liquefied natural gas (LNG) is a viable solution to the future fuel conundrum. The portfolio of evidence we have built up at UMAS indicates that this is not the case because the marginal GHG benefits, or in worst case GHG dis-benefits, do not justify its selection today. This becomes even clearer when it is considered that LNG aligned assets will need to switch within their economic lifetimes to zero emission alternatives.

While there are 'drop in' zero emission alternatives that do align with LNG investment (such as liquid biomethane and synthetic methane) these can be shown to be unlikely to be competitive relative to the leading zero emission options. But by strongly backing LNG, even in a transition role, these parties are distracting from the urgent need to develop zero carbon fuels, and increasing momentum towards new fossil fuel infrastructure that can lock the sector into a fuel and technology that will create delays and impediments to decarbonisation for many years to come.

This is at a time when billions of dollars are now being spent on decarbonised hydrogen and ammonia infrastructure and their supply development globally – it only acts to disincentivise investment that would enable those investments to be made accessible to shipping.

Unfortunately, because the oil majors are so embedded within the shipping system, many companies are in some way dependent on them in commercial relationships and this also makes it hard for them to be publicly challenged. Until the mainstream shipping industry gets a bit braver at confronting the distraction that is LNG and pressures the oil majors to join new energy companies to rise to the challenge of developing their future fuel supply, we will continue to embed unnecessary and additional cost and additional risk in shipping's fuel transition.

Ammonia potential

Ammonia is one of the more challenging future fuels in the mix, particularly with regard to community readiness. Just 12 months ago, there were significant concerns from a lot of different stakeholders regarding ammonia, particularly citing safety issues – a very understandable initial reaction given its toxicity and corrosivity. But today, with greater availability of comparative analysis from a number of independent parties showing ammonia's technical and economic advantages, ammonia is increasingly embraced as a leading candidate future fuel.

There are still technical questions to be answered and as we still do not have a full-scale ammonia engine there is a lot of uncertainty about exactly how technology readiness will evolve. But the total cost of operation margin between ammonia and the next cheapest zero emission fuel provides a lot of 'headroom' before resolving those remaining technical questions that limit the option's competitiveness.

Part of ammonia's appeal is that all that is needed to make green ammonia is a decarbonised electricity supply, an electrolyser and a long-established industrial chemistry process (the Haber Bosch process). Ongoing demonstration work is exploring how the hydrogen production and air separation to obtain nitrogen feedstock can be optimally integrated into a single higher efficiency step.

For sustainable ammonia's production process the scalability is high. It is not like an oil refinery where millions of dollars are needed to build a complex plant – ammonia could be produced near where it is needed, and at a variety of scales of production. Several countries, for example Portugal, Spain, Germany, Denmark, Saudi Arabia, Australia and Chile, have enabled significant investments into integrating electrolysis and renewable energy production, and there is scope to have national energy providers competing alongside multinational new energy majors. Engie, Ørsted, Air Products, Yara and others are increasingly the companies to watch. If they don't wake up, oil majors will unwittingly pass the baton of the supply of maritime energy products to these companies and lose another market and customer segment.

Landside calculations

There are also landside issues that come into play when deciding which future low and zero carbon shipping fuels to back. It is a common refrain in future fuels discussions that we should take a 'lifecycle' perspective, which means needing to know how much CO_2 is generated when fuels are produced, not just when they are being burned. Here, the IMO has an important role to play because it sets emissions factors and guidelines that are used in numerous regulatory and private sector initiatives. But so far, none of these consider a lifecycle perspective. This does not mean that the IMO has to accept responsibility for upstream GHG emissions. What it does mean is that we have to design policy at the IMO that sends a clear signal on the need for inclusion of lifecycle emissions and incentivises the use of fuels with lower upstream emissions. The easiest way to do that is with the bunker delivery note, just as how we currently regulate fuels for their sulphur content. There is nothing

Shipping needs to be able to take decisive action on alternative fuel infrastructure

"It is time that oil majors played a much more active role in implementing decarbonisation, as opposed to deploying rhetoric"

stopping us from doing the same with a modification of the bunker delivery note that includes a calculation of upstream emissions. If we design this policy poorly – for example, IMO focus on operational GHG emissions – it will make investment by marine fuel producers into decarbonised production and supply chains very difficult. Oil majors have a challenging path to walk as weaker controls on upstream emissions make a conversion from fossil fuels easier in the short term, but harder in the long term.

Oil majors have extraordinary power, in the market and in public policy discussions. They have the potential to be agents of system change, more than any other stakeholder group in the shipping industry. It is understandable that many have tried to have it both ways: talking about "net" zero, while trying to accelerate the roll-out of another hydrocarbon (LNG), just as the hydrocarbon era is coming to an end. But as pressures to decarbonise mount this decade, there will be decreasing opportunities for corporations that are not genuine, transparent and honest. For the sake of their own survival in that environment and for the sake of a smooth decarbonisation of the shipping industry, it would be useful if they changed sooner rather than later. **SN**

Tristan Smith is a reader at the UCL Energy Institute and is the director of the Research Council UK funded project Shipping in Changing Climates. He is also co-founder of University Maritime Advisory Services (UMAS), a partnership between the UCL Energy Institute and MATRANS, combining academic research and innovation with consulting expertise.

What next for the world economy and trade?

Vicky Pryce asks how the world will revitalise global growth and re-invigorate international trade

Vicky Pryce

The coronavirus crisis has proved to be a much greater challenge for the world economy and policymakers than the financial crisis was just over 10 years before. What they have in common is the interconnectivity of the world's economies in that, as in 2008/2009, problems where not contained in just one country once they surfaced. In 2008/2009 it was the free movement of capital and lax regulations. In the Covid-19 crisis it was the movement of people and the lack of appreciation of the threat that posed globally.

Topic: Economy

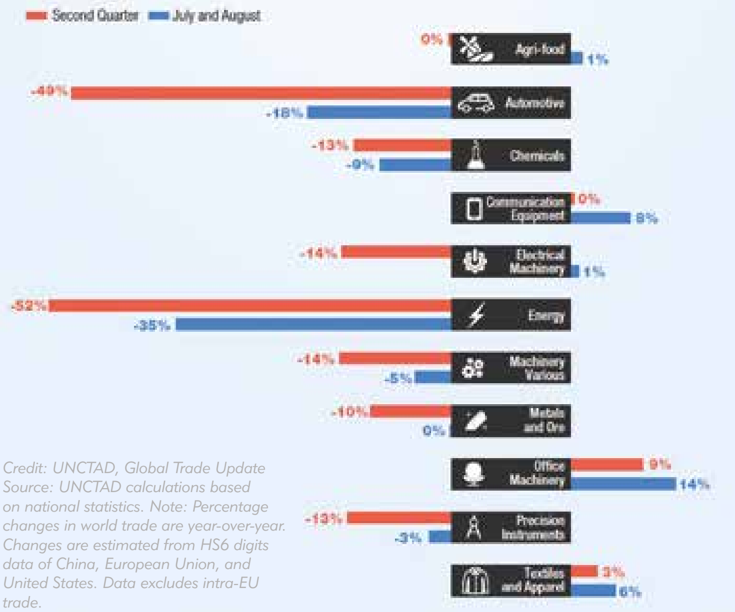
Key words: Crisis; recovery; growth

Background info: While there are parallels to be drawn with the Great Recession of 2008/2009, there are some crucial differences that could stunt a global recovery

During the Great Recession that engulfed the world very few countries were spared – much the same as now. Some fared better than others such as Canada which runs a more conservative financial regulation regime. This time it is China that is forging ahead as it was hit first by the virus and adopted sufficiently stringent regimes to exit the crisis earlier than the rest. The actions taken by governments to support the economies in 2008/2009 and beyond were fairly similar to what is happening now though on a smaller scale: allowing automatic fiscal stabilisers to take the strain as economies are hit by the crisis, large additional stimulus packages, substantial banking support measures, cuts to interest rates to zero or even below and the widespread use of quantitative easing by central banks.

The economic recovery that followed the financial crisis did not allow a return to the global GDP or world trade growth rates enjoyed before the financial crisis and there were a number of laggards where economies still have not returned back to pre-financial crisis levels, notably in Europe. But at least the belief grew that banks which had already consolidated and restructured were now better capitalised. And it was felt that the overall financial system's new supervisory arrangements meant that it was better able to withstand a new crisis.

World trade by sector 2020



Credit: UNCTAD, Global Trade Update Source: UNCTAD calculations based on national statistics. Note: Percentage changes in world trade are year-over-year. Changes are estimated from HS6 digits data of China, European Union, and United States. Data excludes intra-EU trade.

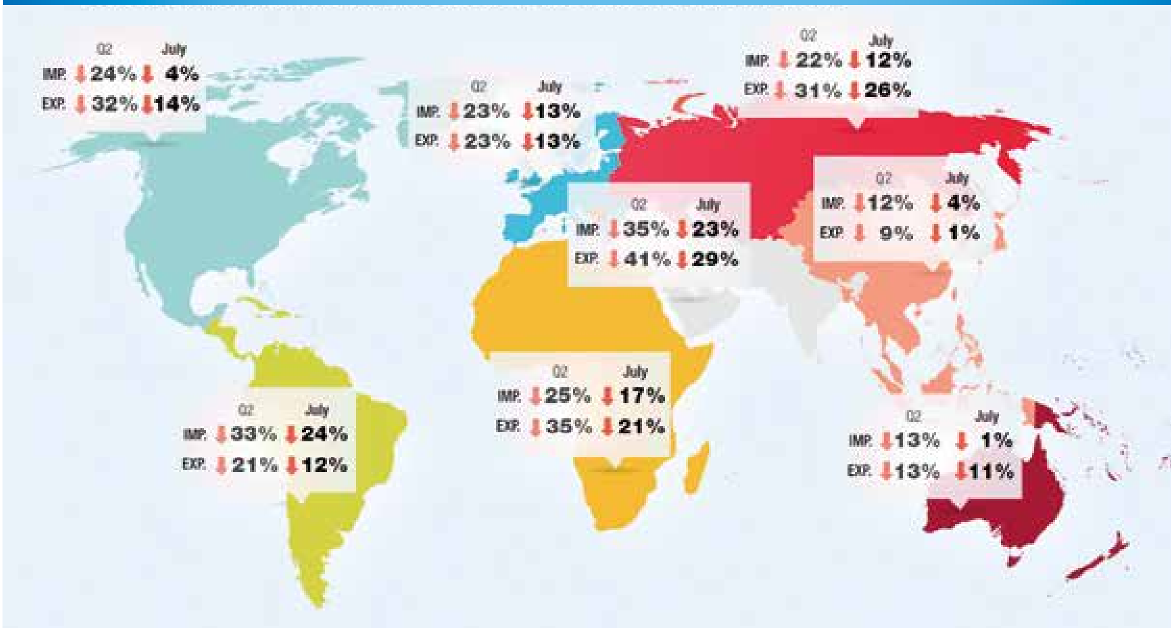
Reality bites

That may prove to have been wishful thinking. By crossing borders, Covid-19 has forced countries to impose restrictions on the movement of people. And by simultaneously cutting demand and supply to restrict the internal spread of infections the falls in output that followed were far sharper that that experienced during the financial crisis. World merchandise trade fell by a record 14.1% in the second quarter of 2020 and many commodity prices slumped, including oil. Yes, there has been a boom in tech stocks and life sciences have generally done well during the search of vaccines and remedies. But many other sectors are struggling globally such as car production, aviation, travel, tourism, aerospace, hospitality and for a while early on also retail. Many companies hitting the crisis were already overladen with debt causing loan-loss provisions by banks to rise despite considerable state loan guarantees provided for Covid stricken firms.

Will it be sorted like before? A crucial difference this time round is a lack of co-ordination. Yes, interest rates fell again to zero or even negative levels when the scale of the impending crisis began to be recognised. And yes, we have again seen massive fiscal stimulus packages, even larger than last time around, all accompanied by similarly sized liquidity injections via renewed asset purchases by the monetary authorities. But the virus itself hit different countries in different waves and there was considerable variability in the speed and effectiveness of national economic support measures. What is more, after a substantial rebound in activity in many countries through the summer, the new surge in coronavirus cases and lots of new lockdown restrictions across the world are casting doubts about the sustainability of the recovery through the fourth quarter of this year and beyond.

So, what can we expect for the future? Growth picked up again in the summer – and even earlier in China – as countries came out of strict lockdown restrictions. Chinese industrial production in September seems to have continued its upward trend and the Global Purchasing Managers' Index was at nearly 55 – anything over 50 indicates a rise in activity. Asian countries are generally doing better and their exports to China were sharply

Trade has fallen dramatically in most regions except in East Asia and Pacific



Credit: UNCTAD, Global Trade Update
Source: UNCTAD calculations based on national statistics. Changes are year-over-year. Data excludes intra-EU trade.

higher again in September. There was some optimism in the air. The latest IMF forecast in October 2020 had reduced the fall for the global economy to 4.4% from an earlier 4.9%. But the recent renewed spread of the virus has added to the uncertainty ahead causing the IMF to lower its expected rebound for next year slightly from 5.4% to 5.2%.

Even within that, the main pick up was expected in emerging markets and developing economies which are forecast to recover by 6% next year, after a 3.3% drop in 2020. The advanced economies are likely to do less well falling by 5.8% this year and then recovering by just 3.9% next. This means that certainly for the advanced nations there will be no return to pre-Covid levels of output before 2022.

In any case this depends on governments continuing to support their economies. The IMF wants to see a lot more debt relief measures for developing countries and is encouraging industrialised nations not to withdraw the support to their own economies too soon given the very low, even at times negative, interest rates at which many can borrow at present.

Stimulus packages

On the positive side, a further, more generous package of measures for firms and for workers has just been announced by the Chancellor of the Exchequer in the UK to counter the pain of new coronavirus restrictions. The EU is moving forward with its own €750bn Recovery Fund and there seems to be a rethink of the EU's strict stability and growth pact rules. A further $2tr or so stimulus package has been on the cards for some time in the US.

Of course, large borrowings become easier to deal with and more sustainable if growth bounces back strongly and remains high to bring debt ratios down. However, most scenarios have medium to longer term GDP growth rates at best only back to where they were in the past decade on average, which in itself was less than in the decade before the financial crisis.

Similarly, for trade the WTO has revised its forecast for this year to a fall of around 9%, a considerable improvement on earlier pessimistic expectations, helped by easing of restrictions and enhanced trade since late spring. The expectation for next year is for growth of 7%. That sounds encouraging except it is a lot less than earlier expectations of a 21% bounce back in 2021 as the path of the pandemic itself remains unclear.

Over the longer-term, trade uncertainties remain. There is, for example, no real indication of what the new US-China relations might be after result of the US Presidential election. The move towards greater onshoring and developing of supply chains nearer to home may impede trade and investment flows in the future. And growth and therefore demand from developing countries could be constrained by less migration and fewer remittances back home as well as lower levels of foreign investment. The real underlying worry is that protectionism and anti-globalisation sentiments that have grown during the pandemic will be here to stay.

What can one conclude? While responses to the crisis remain national rather than international there are serious dangers to the economic outlook ahead. What is required is much more international co-operation if one is to overcome the forces that are currently pushing the world to a lower medium and possibly long term trade and growth trajectory. **SN**

Vicky Pryce is a board member at the Centre for Economics and Business Research and former joint head at the UK Government Economic Service.

World economic outlook 2020 – growth projections

Credit: International Monetary Fund, World Economic Outlook

Decarbonisation in the slow lane?

NHH's Roar Ådland questions the economic and environmental benefits of slow-steaming and fuel levies

Roar Ådland

It's generally taken as gospel that slow-steaming the world fleet is beneficial to the environment. The key behind this statement is the assumed exponential relationship between the daily fuel consumption of a vessel and its speed. Simplistically, this relationship is often referred to as the 'cubic law': that daily fuel consumption of vessels is proportional to the cube of their speed (i.e. speed ß, where ß = 3). The exact relationship will differ across ship types and relates mainly to hull shape, but the cubic law is thought to be a good representation for a typical bulk carrier or oil tanker, for instance.

1

Topic: Operations

Key words: Slow steaming; environment; optimisation

Background info: Slowing down ships may reduce emissions by less than was initially thought

Importantly, the validity of this theoretical relationship is built on some strong assumptions, notably flat water (no wind or waves) and perfect hull condition. The verification of a vessel's fuel consumption at different speeds is, accordingly, verified during sea trials or during model tests in a laboratory environment.

The validity of this relationship – across the full range of speeds that a ship can sail – is not merely of theoretical interest; it is the basis for major policy documents that may guide future environmental policies, such as all the IMO greenhouse gas studies, as well as the optimisation of vessel speed that ship operators have to consider every day. It may therefore be a bit surprising that this fundamental 'truth' has not received more attention in our brave new information age, where reams of vessel performance and weather data are available at our proverbial fingertips.

Data analysis

Together with Professor Pierre Cariou from KEDGE Business School, Bordeaux, and Professor Francois-Charles Wolff from the University of Nantes, I recently published an academic research paper that tries to investigate this important issue using real operational data for a fleet of aframax and suezmax tanker sisterships in global trade. Rather than imposing a model on the data based on principles from naval architecture, we wanted to let the data speak.

Of particular interest was the hypothesis that the cubic law is really only valid near the design conditions of a ship – which, surprisingly, is still in excess of 15 knots for a bulk carrier or tanker – as this reflects the speed for which the propulsion system and hull is optimised. Sail at slower speeds, and the main engine and hull will be operating under sub-optimal conditions, which intuitively should lower the elasticity in the speed-consumption relationship. Put differently, the benefits of speed reduction, in terms of lower fuel consumption and emissions, is dependent on the vessel speed itself.

To check this empirically, we used around four years of historical noon report data from each vessel. Noon data comes with its own set of challenges. For instance, weather observations are subjective snapshots as reported at noon local vessel time by the crew. Still, it does not seem too farfetched that an experienced master can judge the seas state and wave direction as well as any shore-based computer model and, importantly, noon report data is easily available to analyse for most shipping companies.

Having run the data through a model that attempts to remove the effects of weather and hull condition, we are left with the data-driven relationship between vessel speed and fuel consumption. Rather than assuming that the elasticity is constant and equal to 3, as in the theoretical cubic law, we allow the parameter to be constant within a speed range but change at certain thresholds. An example of how the resulting speed-consumption curve looks is shown in the Figure 1.

Speed checks

The figure compares the estimated fuel consumption (tonnes/day) at various speeds for three different models: the cubic law (solid line), a version where the elasticity is constant but less than 2 (dash-dotted line) and constant within three separate speed ranges (dotted line). The main takeaway is that the cubic law will tend to underestimate the actual fuel consumption at typical slow-steaming speeds of 12 knots and below. In particular, when speeds are very low, there is seemingly no benefit to speed reduction. This becomes even more evident if we consider that slower vessel speed means that more trips will have to be undertaken to produce the same transportation work per year (tonnes of fuel per tonne-mile). Indeed, in this case, reducing speeds below about 10 knots will actually increase emissions per tonne-mile. And that is not even considering the further loss of energy efficiency due to weather and sea conditions (in the figure shown such effects have been removed for fair comparison). Listen to sea dogs telling stories about ships being pushed astern in North Atlantic winter storms, and the optimal conditions of naval architecture theory quickly go out the window.

If we believe in these results, and that they can be generalised, what is the impact on practical ship operation, ship design and ongoing policy discussions?

Perhaps most importantly, we cannot expect much of a reduction in global shipping emissions by reducing sailing speeds

further from the present 11-12 knots average speeds of tankers and bulk carriers, putting a big question mark over the usefulness of speed limits and related discussions. These average speeds are down from 14+ knots at the peak in 2008, which also happens to be IMO's reference year for CO_2 emission targets. Hence, the low-hanging fruits in terms of speed have already been picked, though there will of course be vessels out there still sailing at higher-than-necessary speeds. Consequently, global shipping emissions – if properly measured using real data submitted under the IMO's Monitoring, Reporting and Verification scheme – are likely to turn upwards along with global trade from here. The findings can also be used to question whether a CO_2 levy would have any impact on vessel operations at all. If a change in speed does not have a material effect on fuel costs, then increasing fuel costs through a levy would not change the optimal speed materially either.

Design question

With regards to ship design, the obvious question is why are we still building vessels that have a substantially higher design speed than the actual operating speed for the past several years? If propulsion systems and hulls were optimised for a lower sailing speed, perhaps leaving some spare power to speed up or sail safely through a patch of bad weather, we would reduce emissions at prevailing speeds and retain the benefits of further speed reduction.

At the end of the day, the profitability and emissions from a single voyage is closely related to the chosen speed, subject to the commercial constraints of the ship operator (e.g. meeting the laycan, speed clauses, demurrage considerations), weather conditions and safety of ship and crew. If such decisions are based on the wrong (cubic law) model, then operators will end up with sub-optimal speed decisions and, potentially, lower profitability and higher emissions as a result.

Naturally, we cannot pretend that our findings represent the "ground truth" or even that they can necessarily be generalised outside of our relatively small sample of mid-size tankers. The challenges with data quality are known, but less understood are the possible human biases or the interaction between weather and vessel speed. For instance, if a vessel has had high fuel consumption during a period – perhaps higher than the owner has warranted under a time charter – there will be an incentive to "pad" weather conditions reported to the shore office, making wind and wave conditions worse than they actually are. Such a human bias in the reporting could potentially explain some of our non-conventional findings.

Still, this issue is clearly too important to fly blind and trust a decades-old theoretical model that is based on very strong assumptions. Perhaps, just perhaps, slow-steaming is not the be-all and end-all it is made out to be. ***SN***

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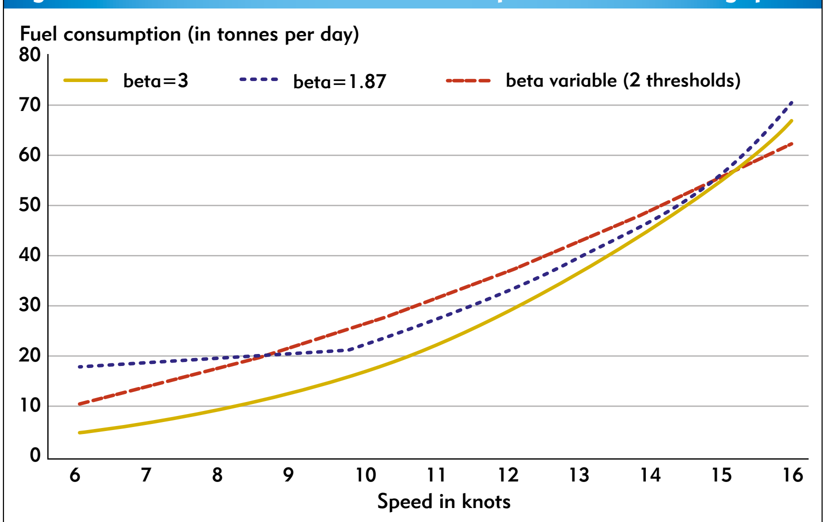
Figure 1: Cubic law versus actual fuel consumption at slow-steaming speeds



New reality for shipping banks and lending

Karatzas Marine Advisors' Basil Karatzas discusses the prospects for ship finance in 2021

Basil Karatzas

Ever since the Great Recession of the last decade, sourcing capital in the shipping industry has taken a more urgent priority than at any other time during the current millennium. For a capital intensive industry like the maritime industry, accessing capital competitively is always critical throughout the phases of the business cycle.

Topic: Finance

Key words: Banks; equity; funding

Background info: Credit has never been harder to come by in the shipping industry

A decade on from the Great Recession and we are not any closer to finding a source of capital to replace banks in the industry. Shipping banks have traditionally been the most reliable (and least expensive) capital provider to the shipping industry through business cycles, and all current private shipowners, including multi-generational family shipping companies, have strong banking relationships to thank for that. The financial crisis and the ensuing Great Recession, however, was a crisis unlike any other: shipping banks realised huge losses in shipping (more than $100 billion by some accounts), losses that were compounded by massive losses in other industries – sub-prime loans in real estate being the most obvious culprit. Such losses collectively made the banking industry the target of political wrath and regulatory action.

Peaks and troughs

Banks are known to lend in cycles: while they keep true to their conservative lending approach during most of the time in any business cycle, every ten years or so, when times are especially prosperous, banks tend to get more aggressive whether with estimates for valuations, business prospects or by lowering their lending criteria. When economic fortunes turn, banks end up with bad loans and write-offs and get back to the basics and to diligent underwriting for a while, possibly also curtailing lending activity. In general, within a few years they are back to doing normal business again and growing their portfolios, however the losses of the last financial crisis were just too enormous to be forgotten in a matter of years. Those losses provoked new banking regulations (most notably Basel III), with banks subject to much tighter lending guidelines.

From a shipping industry perspective – whereby most loans are typically structured as non-recourse, first preferred ship mortgages – these new banking regulations have been detrimental as banks are now heavily penalised, in the form of capital ratios and capital reserves, for making ship mortgages. Ship mortgages are asset-backed loans whereby only the asset is provided as collateral and are now considered especially risky. Their level of riskiness is actually the same – all else being equal – but now under new regulations the banks have to account for that "riskiness". Thus, like rational investors (banks are investors, after all), ship mortgage providers have been opting for other types of loans considered less risky by the regulators. Corporate loans (also known as balance-sheet loans) and loans based on cash-flows (in shipping, vessels with bankable charters behind them) are more appealing to banks these days, all else being equal.

In real life, most of the lending taking place in the corporate world is in the form of loans based on the creditworthiness of a corporate borrower (balance-sheet lending, cash-flow lending, etc) and not on the value of a certain asset (such as a ship in a ship mortgage). Therefore shipping banks and shipping lending have been disproportionally affected in a negative way by the new regulations, which explains the current capital predicament of the shipping industry.

With shipping banks handcuffed, shipowners have aggressively looked for new sources of capital in the last decade. Debt financing is the cheapest and the most expedient form of capital there is, but, beggars cannot be choosers, as the saying goes. And, shipowners, have tried their hand at all types of capital.

Equity crash

After the financial crisis and the market collapse, many institutional investors and private equity funds found themselves tempted with "distress" investment opportunities in shipping, and they deployed capital aplenty, mostly in the form of co-investments in joint-ventures and partnerships with shipowners. Several years into these partnerships, private equity investors lost lots of money (more than $30 billion by some estimates) and along with it their interest in shipping. As the projected market recovery never actually materialised, many private equity investors found out the hard way that there are many ways one can lose money in shipping, even when they get the trend right.

On the tailwinds of distressed marine asset valuations and hopes for a V-shaped recovery, there had been a few initial public offerings (IPOs) via which shipowners managed to access capital from the public markets. However, withering market prospects and corporate governance issues quickly killed the public markets, and today, a great deal of publicly listed companies are valued at a fraction of the value of their fleet. There has been no meaningful shipping IPO in the last three years. There have been a couple of very visible failures of high profile management teams failing "to IPO". And the handful of secondary offerings in the US equity market this summer could be described as usurious rather than astute.

After the financial crisis, many developed economies embarked on stimulus packages and export credit via shipbuilders became a very viable source of financing newbuildings predominantly in China, but also in South Korea and Japan. Several years later, that export credit has dried up and, in general, in a weak freight market, ordering more ships even at cheap prices can be a loss-making proposition.

As a variation of the export credit theme, leasing companies, mostly in China, expanded their portfolios from newbuildings to the secondary market, from Chinese-built to any built, and from corporate credit to private shipowners. Chinese leasing – selectively, also Japanese and European leasing – proved a forceful entrant to the shipping market, deploying more than $150 billion, by some accounts. Fast forward a few years – and a couple of highly profile defaults later, such as Bourbon in offshore – and leasing and sale and leaseback transactions have come to a stop.

Sensing the lack of capital in the shipping industry, many institutional investors have re-examined their approach to shipping, and many of these funds are now providing financing to shipping under their "alternative capital" hat, effectively providing ship mortgages and other forms of lending in shipping, since they are non-regulated lenders. This allows for great flexibility, which comes at a high cost: while banks lend to shipping at less than 5%, alternative capital funds "will not get out of bed" (as so gracefully stated once by such a fund) for anything below 8% (and often at interest rates exceeding 12%). Alternative capital (or credit funds) quite often seem to be the only game in town for many of the smaller private shipowners, and it has been amazing to watch this market mushroom from a handful of boutique funds to a shipping finance sector of its own, with at least one new fund popping up every month.

Bye bye banks

So, what has happened to the shipping banks? Are they gone and closed altogether? Although it would appear that shipping banks have left the market, they are by far the biggest capital provider to the industry as proper shipping loans still exceed $400 billion, and as the origination of new shipping loans they exceed any other form of investment in shipping. However, shipping banks today have been pigeonholed by their past losses and a slew of new regulations that steers them clear of ship mortgages and towards balance-sheet lending. Under such guidelines, only shipowners who have a "balance sheet" (consolidated financials and can borrow against their whole business and not just specific vessels) meet the first round of criteria for loan approval.

To qualify for shipping loans, shipowners must have large and strong balance sheets, must be in business for several decades, must be transparent with proper corporate governance guidelines in place, have strong access to cargoes and charterers, viable business plans and succession plans going forward, and adhere to a whole list of compliance initiatives, with ESG (environmental, social and governance) being the latest of them. Quite frankly, there are not that many shipowners who can "check all those boxes" in today's market and therefore qualify for the extremely competitively priced shipping loans at 2%-4% interest rates that banks can offer. More importantly, the banks will likely have even less leeway in the future and will be unable to escape the current regulatory environment or to relax their standards. Therefore the burden of "fitting" into a bank's very specific box falls wholly on the borrowers and shipowners. ***SN***

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Green credentials have become a lending priority

A sanction-sized target on shipping

HFW's Daniel Martin and James Neale advise how to stay in front of this rapidly changing area of law

Daniel Martin

James Neale

Now is a difficult time for compliance professionals in the shipping industry. Sanctions are the 'go to' foreign policy tool, and shipping is the target of the day. Further, over the past year existing sanctions regimes have been deepened (for example US programmes targeting Iran and Venezuela, and EU Measures against Belarus), new regimes have been created (notably in respect of thematic issues such as human rights) and new trends in enforcement have emerged. This picture will become even more complicated with the forthcoming US election, and the end of the UK's Brexit transition period.

1

Topic: Sanctions

Key words: Regulation; enforcement; complexity

Background info: With US elections and the end of the UK's EU transition period, sanctions compliance is set to get more complicated

Shipping has been in regulators' cross hairs for some time, and all signs point to continued attention. With regulators placing high expectations on the industry, and added uncertainty and complexity on the horizon, shipping market participants need to keep a close eye on sanctions developments now more than ever.

Enforcement trends

Historically, sanctions enforcement has been highly variable. The levels of penalties set by the US Office of Foreign Assets Control (OFAC) over the past nine years (covering President Obama's second term through to the present) have differed by orders of magnitude. Individual massive fines can also distort the story. In 2019, the vast majority of the $1.2 billion total comprised just two fines levied against financial institutions. This year could end on a record low, with just $18.7m in fines having been imposed by mid-October.

If you asked the average person in the shipping industry about OFAC's enforcement over the past year, they would be unlikely to say that OFAC was relaxing its approach. Rather, what we have seen is an increased use by the US of its powers to impose secondary sanctions, adding foreign persons to its sanctions list where the US considers that they have acted contrary to US security or foreign policy interests.

Through 2020, over 150 vessels, shipping and trading companies have been designated by the US. The bulk of the vessels were designated under the Iran programme as directly linked to Iran. However, a number of vessels and companies were designated under the US' Venezuela sanctions programme because they participated in trades deemed to be contrary to US foreign policy, despite the owners not being US persons. Such

Iran has been targeted for shipping sanctions

designations can be ruinous, causing significant disruption to trade and profits, and serious reputational damage.

Interestingly, many of these designations have been in place for only relatively short periods, with some companies being listed and delisted within less than one month. Historically, it has been difficult and time-consuming to be delisted by the US. OFAC's methods are evolving and it is using secondary sanctions tactically to send messages to the market about the trading activities which are no longer permitted.

All eyes on shipping

The US and the UK governments both consider that they can achieve their foreign policy and security goals by regulating the shipping industry. Both countries issued advisories directed at the shipping industry within a couple of months of each other over the summer. These cover much of the same ground but differ slightly in terms of geographic focus.

The advisories highlight a number of risk factors which may, but do not necessarily, indicate sanctions evasion, including the following:

- Disabling or manipulating the automatic identification system (AIS) on vessels
- Physically altering vessel identification
- Falsifying cargo and vessel documents
- Ship-to-ship (STS) transfers
- Voyage irregularities
- False flags and flag hopping
- Complex ownership or management
- Use of crypto assets
- Financial system abuse
- Concealment of cargo

Some of these practices (for example STS transfers) are by themselves benign and in no way linked to sanctions evasion. They may, however, serve as 'red flags' to prompt further investigation.

Both the US and the UK authorities expect maritime actors to take responsibility for policing their counterparties' sanctions compliance. Market participants are expected to know who their counterparties are and from where their funds originate. Due diligence may require reviewing trading patterns and the US in particular recommends agreeing contractual terms such as 'AIS switch off clauses'.

It is clear that sanctions authorities expect shipping market participants not just to set their own house in order, but also to monitor that of other market participants. Sanctions authorities are outsourcing their enforcement and compliance activities, expecting the shipping industry to become self-regulating and self-policing.

Complexity and uncertainty

The increased attention on the shipping industry comes at a difficult time. The sanctions landscape is likely to change significantly over the next few months. By the time this issue goes to print we will know the outcome of the US election, and by January 1, 2021 the UK will be completely independent from the EU.

While enforcement patterns have remained characteristically variable during the Trump presidency, the overall level of actions taken by OFAC has increased dramatically. OFAC added more people and entities to the sanctions list in 2017, 2018, and 2019 than in any other years (944, 1474 and 792 respectively). The Trump administration has been busy across all sanctions regimes. In particular, as well as withdrawing from the Iran deal, the US has substantially increased its sanctions against Venezuela, and its use of the Global Magnitsky Sanctions regime to tackle human rights issues. A second Trump term could well continue this pattern of increased legislative and enforcement activity.

While a Biden presidency may be less provocative, expectations of a significant relaxation of sanctions should be tempered. In a recent article for CNN, Biden outlined his Iran strategy promising that "if Iran returns to strict compliance with the nuclear deal, the United States would rejoin the [Iran deal] as a starting point for follow-on negotiations". Although using softer language than we are used to from the White House, this does not amount to a reversal of Trump policies and demands a lot from Iran; requiring 'strict compliance' without lifting of current US sanctions. Likewise, Biden has been highly critical of China's actions in Hong Kong, and commentators generally expect him to adopt a robust stance with China. Whether a Biden administration would reach as quickly for sanctions may, however, remain to be seen.

UK independence

On the other side of the Atlantic, the UK has been taking its first steps as an independent sanctions authority, and in July the UK adopted its first autonomous sanctions regime, the Global Human Rights Sanctions Regulations 2020.

The emergence of autonomous UK sanctions adds to the level of complexity for many shipping market participants, who must now comply with distinct sanctions programmes from the UK and from the EU. While the framework of UK sanctions is similar in many respects to EU sanctions, there are also a number of differences, notably in respect of licensing, and ownership and control.

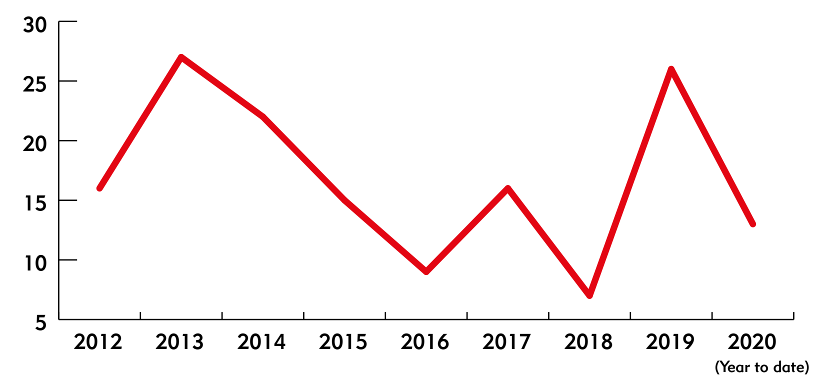
Given the relevance of the UK financial sector to the global shipping sector and the UK's clear appetite to robustly enforce sanctions (it imposed its highest ever penalty of £20 million this year), this is an additional level of regulation which has the potential to be highly significant for the maritime sector.

Getting sanctions compliance wrong is becoming ever more costly and difficult. The maritime sector is in a particularly challenging position. Regulators have directed their enforcement activities in novel ways at the shipping industry, and set out a programme of exacting standards in their recent advisories. At the same time, the sanctions landscape is becoming ever more complex as new regimes are created, and existing ones are expanded on an almost daily basis. The US and UK advisories may serve as a useful starting point in assessing and mitigating sanctions risk. As ever, caution may help you steer a safe course. ***SN***

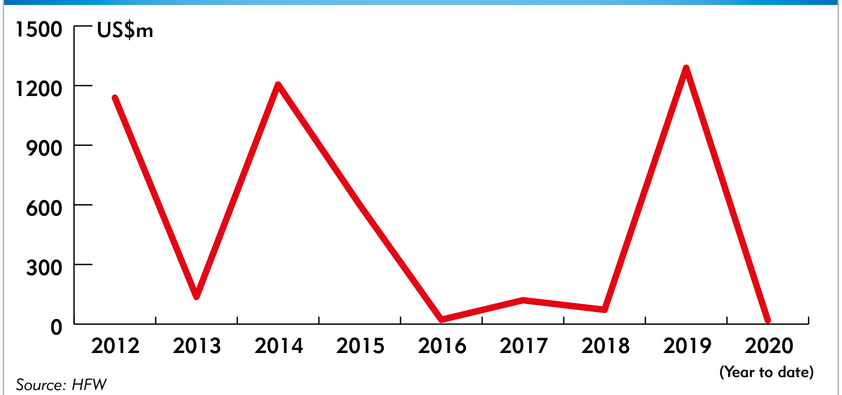
Daniel Martin is a partner and head of regulatory at HFW. Daniel advises traders, shipowners, freight forwarders, insurers and brokers on a host of regulatory and compliance issues, including international trade sanctions, export controls, customs and anti-corruption legislation. James Neale is an associate at HFW, www.hfw.com.

"It is clear that sanctions authorities expect shipping market participants not just to set their own house in order, but also to monitor that of other market participants"

Number of enforcement actions



Total value of penalties



Source: HFW

Pervasiveness of politics in bulk trades

Bulk Shipping Analysis' Richard Scott analyses the increasing politicisation of the coal industry

Richard Scott

Political influences affecting global seaborne trade in dry bulk commodities have become more prominent in recent years. While economics is often the main focus of attention, as the principal determining factor, the impact of politics is growing and broadening.

1

- **Topic: Coal**
- **Key words: Trade; sustainability; policies**
- **Background info: Global movements of coal are on an irreversible downward track**

Dry bulk trade is comprised of numerous commodities, dominated by the three largest – iron ore, coal, and grain/soya – plus a wide range grouped together in the minor bulks category. For many of these it is economics which primarily shapes flows between exporters and importers. But for coal, this characteristic is no longer so visibly powerful. Political decisions in importing countries are now a pervasive negative pressure on coal trade volumes and patterns.

Amid a much greater emphasis around the world on concerns about global warming, greenhouse gas emissions and air pollution, the burning of fossil fuels and especially coal is intensely scrutinised. Environmental pressure to reduce and eliminate coal has gained considerable momentum and is reflected in politics.

Environmental concerns are constraining coal prospects

Political decisions made in a number of countries which are large markets for coal are having noticeable effects on import volumes. More rules and regulations are either curbing or preventing further growth or, in some cases, actually forcing a reduction and downwards trend.

Coal trade features

Coal still forms a major part of the dry bulk commodity sector as a whole. In 2019, global seaborne coal trade amounted to 1,292 million tonnes, according to Clarksons Research data, a 25% share of all dry bulks transported. A majority, four-fifths, was steam coal used mainly in power stations and in some other industries such as cement. Coking coal used in the steel industry comprised the remaining one-fifth.

During the past three years coal trade has been expanding again after a dip in the previous two years. Growth rates exceeding 5% annually were seen in 2017 and 2018, followed by 2% last year. But, arguably, prospects in the period ahead are not good. What seems likely to be a huge reduction in 2020, amplified by the effects of the Covid-19 pandemic on energy usage, may be partly reversed next year if economic recovery is achieved. Nevertheless, underlying influences shaped mostly by politics point to a weakening global coal trade trend in the longer term.

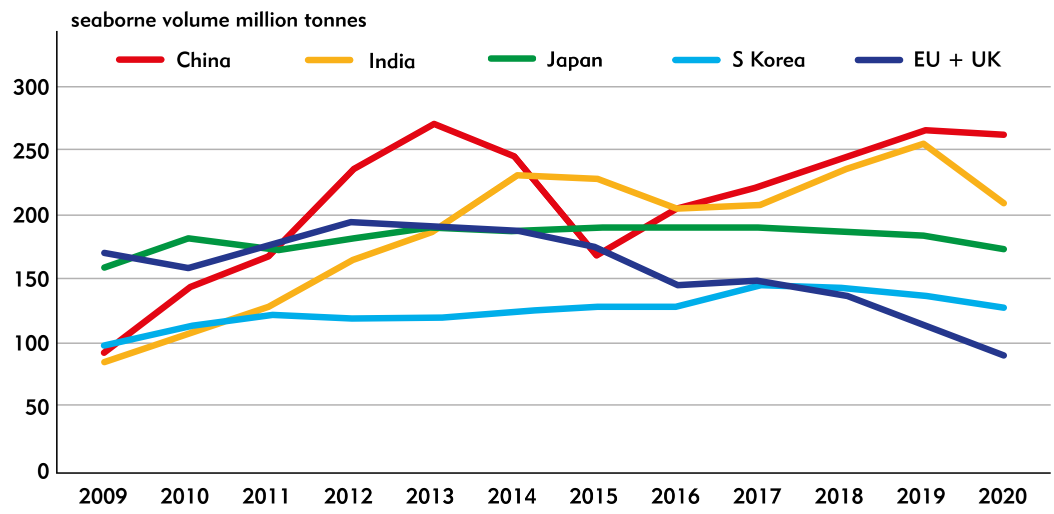
Today, the biggest buyers are China, India, Japan, South Korea, and the European Union plus the UK. Together these countries account for over 70% of world seaborne coal imports. In the first four, the trend over recent years has been broadly flat or upwards. In the fifth, the EU+UK, imports in 2020 may be down to around 90m tonnes, only half of their 170-190m tonnes annual volume five or more years ago – a dramatic decline.

The trend of fading imports into Europe has not been chiefly a consequence of subdued growth in economic activity and resulting energy consumption, or of normal commercial competition among alternative fuel sources. It has mainly reflected, and is a clear example of, political influences which weakened coal consumption and import demand.

In the other main importing countries politics has not always been such an obvious factor determining annual volumes, but it is still quite visible. In major importer South Korea, for instance, annual purchases rose to around 140m tonnes, decreasing to 135m tonnes last year. One of the reasons affecting that decrease appears to have been government decisions to reduce air pollution by curbing coal-fired power generation, responding to political pressure. This pattern looks set to continue.

How import demand for coal unfolds often depends on a complex mix of influences and it is not always easy to precisely identify the individual impacts. In China and India though one element is prominent: domestic coal production. When governments intervene to provide more support for, or otherwise

Largest coal importers



Source: Clarksons Research and BSA forecasts

encourage, the domestic coal mining industry, perhaps for employment reasons, higher production levels if achieved have consequences for imports.

Framed by policy

At the end of last year, the International Energy Agency published its annual coal report, commenting that "public opposition to fossil fuels, particularly coal, is growing. Competition from natural gas and, increasingly from renewables, is coinciding with carbon pricing and policies to phase out coal in power generation. Together these factors are shrinking the role of coal power generation in advanced economies."

Recently, the independent climate think-tank Ember reported that renewable energy from wind and solar power had doubled its share of global electricity generation since the Paris Climate Agreement was signed in 2015. The combined share rose by five percentage points from 4.6%, to 9.8% in the first half of 2020. Coal's share of global generation fell from 37.9% in 2015 to 33.0% in the first half of this year.

A severe economic recession in many countries caused by policies implemented to control the Covid-19 pandemic has probably distorted statistics. But the electricity generation results for this year's first six months, compared with what was happening five years ago, reinforce perceptions of the direction and extent of changes in the relative contribution to energy supplies from various sources.

According to Ember's analysis, global electricity demand was about 3% lower in first half 2020. This decrease reflected Covid-19 impacts, although particularly mild weather in parts of the northern hemisphere during the winter months also moderated demand for electricity. However, the overall reduction seems to have left renewable wind and solar generation almost unaffected.

The shift towards renewables, and away from coal, has been spurred by political decisions and resulting changes in policy and regulations. In Europe this stage of the transition process was especially marked. In the first half of this year total renewable electricity generation (which also includes hydropower) in the EU 27 member countries exceeded fossil fuel generation (coal and gas) for the first time.

Policy changes introduced by EU members to achieve a shift to cleaner energy and hasten decarbonisation include the Emissions Trading Scheme, air pollution directives and renewable energy targets, all of which affect how much coal is used. Focusing on sustainability to mitigate climate change has been the prime driver. More attention has also been given to other aspects such as energy security and industrial competitiveness.

One concrete indication of the implications for coal is the plans revealed by a number of European countries to phase-out coal generation completely. By the end of the present decade France, Italy, Netherlands, Spain and the UK will have no coal-fired power output if these plans are fully implemented. Germany, the largest European coal importer has a later phase-out target date.

While events in Europe are perhaps an extreme example of the unfavourable effects of political decisions on coal consumption and trade, the impact is conspicuous elsewhere. In most of the other top coal importing countries government policies are having a restraining influence, or are set to do so in the fairly near future.

For shipowners and operators, as well as brokers involved in this market segment, the pervasive pressure of politics on coal trade is not a benign influence. It points towards a flattening and eventual downwards trend in global seaborne coal trade, with adverse implications for bulk carrier activity. Despite some elements of support, longer term prospects seem rather sombre. ***SN***

Richard Scott FICS is managing director of Bulk Shipping Analysis, independent shipping market consultants, and a member of the Institute's London & South East Branch Committee.

'Bewildered, uncertain, exhausted and worried'

Andrew Wright urges the industry to find a way to future-proof the well-being of seafarers

Andrew Wright

My work in maritime welfare over more than 13 years now has frequently taken me to Northern Ireland.

On one occasion I visited the newly devolved parliament in Stormont, Belfast, to meet some key politicians. It happened to be the first day of the victim compensation debate and I sat mesmerised as I heard Ian Paisley and Martin McGuinness kicking off the proceedings, speaking ardently in support of one another. It was quite extraordinary, and deeply moving, to see these two men, once the most embittered and vitriolic of enemies in what seemed an implacably divided province, standing together in accord and even in friendship. Indeed, they became known as the "Chuckle Brothers".

Topic: Welfare

Key words: Crew; politics; crisis

Background info: The inability to change crews because of national Covid-19 restrictions has led to a humanitarian disaster

It was an incredible tribute to how transformational political processes can be. This one brought peace and hope and ended a cycle of terrible violence and suffering which we hope will never be repeated. It ushered in a new world and brought countless benefits to people who may have felt powerless for so many years. It was a process ultimately determined to look beyond traditional tribal loyalties, one focused absolutely on well-being and peace. Ian Paisley who had been such a divisive figure, and whose famous intransigence was summed up in his repeated phrase "never, never, never", said "people have come out of a dark tunnel and they can see there is a path out there for us. I think it has put a lot of faith and hope into people".

These last months have certainly been a dark tunnel. They have left many seafarers feeling hopeless, powerless and completely out of control of their own destinies. The desperate crew change issues, combined with cancellation or severe limitation of shore leave, have left many bewildered, uncertain, exhausted and so worried about family at home. And for everybody stuck on board ship others have been unable to access work, with consequent uncertainties and financial hardship.

Stress levels have been very high. Among so many stories that we have heard at The Mission to Seafarers, they can perhaps be summed up by one seafarer who suffered a mental health crisis on board ship, was subsequently hospitalised and then trapped in a port from which there was no easy escape. I am very glad to say that The Mission to Seafarers was able to support him over many weeks and he is now home. When still on board his ship, however, he told us how he felt. He said: "There was no tomorrow and without a tomorrow there was no hope."

Credit Brian-Millson, The Mission to Seafarers

We must always put people at the heart of all our thinking and planning

Successes and failures

Many of us have been witness to the dedicated and extensive attempts by so many within the shipping industry to resolve the crew change crisis, with all its humanitarian implications. The industry has worked in partnership and with enormous energy and determination to find a resolution. It has come up with many creative approaches and invested heavily in solutions. We have seen some progress but, as I write, many hundreds of thousands are still working beyond their contract ends.

While some governments have been amenable, others have been slow to act, and blockages have chiefly been at this level. There remains very significant and unnecessary suffering. Hopefully by the time you are reading this the worst will be behind us. Political processes must combine with political will to make this happen. It is an absolute and urgent moral imperative.

I know many in shipping have felt deeply frustrated that the industry's political power appears to have been insufficient at a moment of maximum need. Global trade and the maintenance of vital supply lines has so far been sustained during the pandemic crisis. There has been no catastrophic breakdown which could have further imperilled so many. That this has happened is in great part due to the heroism of crews against the most intense challenges. The failure to be able to secure the full and sensible agreements to secure continuity of crew change and well-being is something which will demand significant reflection as we learn the lessons of these last months.

All over the shipping world, and far beyond, management teams are vigorously engaged in scenario planning and strategy making. What will be the longer-term impact of the unparalleled events of 2020 on global trade and shipping? Already, recent years have brought considerable political turmoil and economic uncertainty. The pandemic has heightened and accelerated some of those processes.

Many businesses are planning major change, either necessitated by the crisis, or using it as cover (rightly or wrongly) for long held aspirations. As we respond to external political and economic realities with our own internal political and economic processes, we must never forget the men and women that can so easily find themselves in the eye of the storm. How does our decision-making impact on the lives of others? Tough decisions may be inevitable and painful human consequences cannot always be avoided. However, people must always remain at the heart of all our thinking. Creative ways should be sought to avoid, minimise or mitigate decisions which can so easily undermine well-being and dignity. Impacts can often go far beyond the individual to the families, extended families and wider community of which they are part.

I have been deeply encouraged and sometimes inspired by the levels of care I have seen from many over these last months within shipping. Many people have done extraordinary things to try and improve seafarer well-being through this crisis – often at significant personal and financial cost. I sense there has been something of a new dawn in relation to crew, a new awareness of their humanity, heroism and fragility. I hope so anyway.

The pandemic has taught us many lessons. Above all, it has been a stark reminder of how easily political and economic decisions can crush those caught unwittingly in its pincers. The shipping industry must find a way to future-proof the well-being of those on whom it is most dependent and yet who can find themselves so ruthlessly exposed. We are beginning to emerge from a dark tunnel. Now we need to find ways of rekindling faith and hope. **SN**

The Rev Canon Andrew Wright is the secretary general for The Mission to Seafarers. Find out more about the Mission's work at: www.missiontoseafarers.org.

Countering the Covid crewing crisis

Ship operators around the world have battled with the physical limitations and the knock-on effects of the pandemic this year, with crew change still severely disrupted as 2020 drew to a close.

Some operators fared better than others, but the problems of not being able to transfer crews off at the end of rotations and others on at the start of theirs were felt by all.

Valentin Gherciu, QHSE manager at Singapore-based AAL Shipping, explains some the additional processes that have been needed this year. "AAL ensures seafarers receive training from top professionals, experts, and academies to prepare for sailing and cargo safety matters, but also for dealing with the physical and emotional toll that Covid-related restrictions, extended time at sea, and the uncertainty it can cause," he said.

"With our crew manager, we are broadcasting to our officers and crews around the world a series of Covid training videos. The training videos address how seafarers can stay safe, build better mental resilience, and protect themselves while onboard or ashore." The videos have also been made available for free to help the industry learn about this pandemic and its effect on seafarers and shipping. AAL is part of a working group in the industry identifying areas of improvement that support market needs and closely monitoring Covid-19 developments.

AAL has thanked its crew for showing "tremendous understanding and patience" in response to restrictions imposed by governments and stresses that it is only by their efforts that the shipping industry continues to keep essential supply chains functioning in all markets around the world. **SN**

Distinguishing best value from value buy

Saigal Sea Trade's Sushil Saigal asks if reverse auctions deliver best value for freight purchases

Sushil Saigal

Setting freight rates through reverse auction mechanisms is perceived to deliver lower rates than through physical price negotiations as they push down reference prices for sea freight.

Reverse auctions provide structured, automated negotiations, with a clear documented process for reaching an agreement on pricing. Importantly, reverse auctions work well when price is a key point of negotiation for the buying organisation and even work well as a means of price discovery. They tend to deliver value when the following conditions occur: common specifications, competitive supply base, competitive market pricing structure, long lead times, low costs of switching suppliers, large purchase size, and a purchase that would result in a non-strategic relationship with the seller.

Topic: Auctions

Key words: Platforms; freight; transparency

Background info: Reverse auctions offer a different route for purchasing freight, but they do not necessarily provide the utopia on rates that they promise

One of the most important elements of a reverse auction is a large and competitive supply base. The competition between suppliers is undoubtedly at the heart of what makes reverse auctions work to drive prices lower and in turn, "forms the bedrock of successful reverse auctions". As a general rule, if you do not have at least three strong, qualified, and competitive ship operators participating, you should not conduct a reverse auction to make a purchase.

Conversely, reverse auctions underperform when there is limited supply or at a time when there are wide and rapid fluctuations in freight rates. In those circumstances ship operators are usually hesitant to lower their freight rates since they expect they can secure higher rates tomorrow.

However, reverse auctions by their very nature do not foster long term relationships with suppliers, a major deterrent to strategic associations. Thus, reverse auctions can rarely be used in relationships with strategic suppliers or suppliers with whom there is a good degree of collaboration or integration of supply chains that takes place in a long-term relationship.

Generally, reverse auctions suit commodities where the pricing trends are somewhat stable and suppliers can actually make forecasts and pricing projections for the value of inventory that they hold or plan to produce. Freight is a volatile commodity with practically no shelf life, thus once the global fleet utilisation exceeds 90% there is limited elasticity of supply highlighting the importance of having strategic relationships for stable freight rates.

Relationship question

Ideally, reverse auctions are best targeted towards relationships that are more transactional in nature and are highly focused on obtaining favourable pricing. They are designed for purchases that feature little collaboration, shorter term contracts, products with common specifications and little complexity, and purchases where there are saving opportunities. Strategic relationships with suppliers rarely meet these criteria.

Consequently, reverse auctions work well for public sector undertakings that implement reverse auctions to fight corruption, reduce back room negotiations, and bring transparency to the purchasing process.

In addition, because reverse auctions provide real time feedback on the competitiveness of price negotiations, one does not need to gauge if the price is too high or too low, as it's entirely determined by the market. This invariably gives opportunity for 'predatory pricing' in the event of inelastic supply or shortage in the absence of strategic relationships.

While some management consultants recommend reverse auctions for every purchase, it is optimal to use reverse auctions in situations where their use would deliver more value than the use of other tools. For instance, reverse auctions are ideally suited for situations that occur quite frequently, such as the purchase of raw materials, processed goods and many other items. On the contrary, they rarely work well for heterogeneous products such as sea freight where freight consultants bring together geographically-fragmented markets, as a way to improve financial efficiency and market quality.

As a result, highly specialised, unique or customer specific requirements generally need a different purchasing process. The supplier's products need to be truly similar so that there is no disappointment on the quality, features, or other factors when awarded to a particular supplier.

Also, without enough competitive suppliers, the force of competitive bidding may not be sufficient to drive pricing lower and produce the desired result for the buyers. It is also helpful if the suppliers have excess capacity since they will be more incentivised to bid lower in order to fill their capacity, thus it could be efficient in a weak market but will largely underperform in a healthy freight market.

Additionally, the lead time required for ocean transportation is important for determining whether the timing is appropriate for reverse auctions. If the lead time is very short, the buyer will probably be dependent upon a limited supply-base.

Companies need to distinguish between 'value buy' and 'best value', evaluating other extraneous factors – such as quality, reputation, timely delivery, support, contra-party risk, credit-risk and so on – which are beyond price to weigh which supplier bid presents the most value to the buying organisation. **SN**

Sushil Saigal MICS is a director at Saigal Sea Trade, www.saigalseatrade.com.

Beware the pitfalls of providing opinions

Andrew Jamieson warns against giving price indications without disclaimers

Andrew Jamieson

Shipbrokers are in the same position as anyone else providing a service and can be held liable if they have been negligent. This not only applies to processing errors, such as failing to pass on a redelivery notice, but also to advice and opinions given.

There are often misconceptions regarding the potential liability for brokers giving advice and opinions. The legal position will depend on the circumstances in which the advice or opinion was given and whether it was reasonable for the claimants to rely upon it. A casual remark as part of a general conversation is unlikely to give rise to a liability but specific messages (whether written or verbal) from brokers to their principal will be seen as something the principal is intended to rely upon.

Brokers often give advice on the meaning of charterparty terms and occasionally that advice will be wrong. ITIC recently handled a claim against a broker who during the fixture negotiations gave his opinion on the meaning of a proposed bunker clause. The owners relied on his interpretation and accepted the clause. Unfortunately, the broker had misread the wording and the owners ultimately found they could recover about $75,000 less than they had anticipated. They demanded compensation from the broker whose advice they had relied upon.

Shipbrokers may protest that they are not lawyers, but the legal test is whether they met the standards of an ordinary prudent broker. It is difficult to defend misunderstanding the meaning of a term in a contract you are negotiating. Saying your view is given "as brokers only" does not mean that it is informal and there is no come back.

Brokers are under pressure to provide a service, but as an insurer ITIC would urge brokers to consider whether they really know the answer before they give it. When looking at specific clauses (especially ones you have written yourself) there is a risk of seeing what you intended to say rather than the actual words. It is often useful to get a colleague to read it – advice which applies equally to lawyers and brokers!

Valuation risks

One of the most obvious examples of an opinion given by shipbrokers is a ship valuation. These are often provided in the form of formal certificates. The wording will set out the basis on which the valuation is given. Frequently this will be as a charter free sale on normal commercial terms between a willing buyer and willing seller. The certificate will make it clear that the vessel has not been inspected and assumptions are made regarding its physical conditions. This explanation of the basis of the valuation is important to establish what the client is actually getting. In recent terms many brokers have added wording pointing to the greater uncertainty caused by the Covid-19 pandemic. These wordings are not intended to simply absolve the broker from all liability but to set the context for the value given.

Beware of the risk of giving advice

A recent trend has seen brokers being asked for a simple indication of market prices rather than a formal valuation. The broker is told "just send me an email". These requests may be seen as a desire to avoid paying for a formal appraisal, but they are not risk free. It is important that brokers understand that the fact they provided the valuation without charging (or at least in anticipation of future business) will certainly not mean that the broker is exempt from liability. Another potential consequence of sending an email is that the message may not contain the explanatory wording (and disclaimers) that is contained in the valuation certificate.

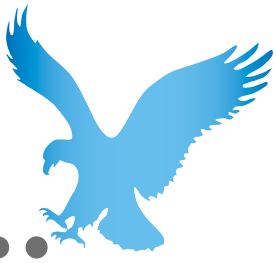
If the broker is simply giving a market indication they should make it clear in their message. A suitable wording could provide something along the following lines:

"The figures are solely indications of market values provided for general information only. They are not specific valuations of individual vessels and a detailed consideration may produce a significantly different figure. The values are not for circulation and cannot be relied upon for any purpose whatsoever. No liability can be accepted for any consequences of such indications howsoever arising. If appropriate, a formal valuation should be commissioned."

That itself is just an example and the exact wording needs to be tailored to the individual circumstances. Brokers should consult with their usual advisers. SN

Andrew Jamieson is claims director and legal advisor at ITIC, www.itic-insure.com.

Legal Eagles...



Do you have a burning legal question for the HFW *Shipping Network* team? Email legaleagles@ics.org.uk for them to answer your question in the next issue of *Shipping Network*. Questions should be of a general nature and not specific to a particular live issue.

HFW's crack team of specialist shipping lawyers answer your legal questions

Guy Main

Cecilie Rezutka

Q I am a shipowner. Can I bring a claim against the (voyage) charterer for damages other than demurrage in circumstances where the charterer exceeds the agreed laytime allowance?

A When a voyage charterer is delayed in loading or discharging a ship, and that delay exceeds the agreed laytime then, subject to the terms agreed, demurrage becomes payable. This is an agreed or "liquidated" amount of damages which is intended to recompense the shipowner for the delay to the ship for which the shipowner is not responsible. If, however, the charterer's breach causes the shipowner to incur expenses in addition to those due to the delay to the ship, may he recover such sums over and beyond the contractually agreed demurrage?

The position under English law has long been unclear as two approaches to this question have been prevalent and argued for. One provides that a shipowner claiming for damages needs to prove that there has been a separate loss in relation to a single breach, whereas the other states that the shipowner has to establish that there is a separate obligation that has been breached.

The point has been clarified in the recent High Court decision in *K Line Pte Ltd v Priminds Shipping (Hk) Co, Ltd (The Eternal Bliss)*. This is an important judgment with significant implications for sectors of the global bulk shipping market.

The case concerned a voyage from Brazil to China under an amended Norgrain voyage charter which entitled the shipowners to demurrage at a given rate for the charterers' failure to discharge within the time allowed. Due to port congestion and a lack of storage at the discharge port the ship was kept at the anchorage for 31 days, breaching the laytime allowed. When the vessel was eventually discharged, it was found that the cargo of soybeans had degraded. The shipowners were obliged to provide substantial security to the cargo receivers as security for their claim.

Clarity given on what can and can't be claimed when cargo operations are delayed

Court claim

The shipowners settled the cargo claim for around $1.1 million, and began arbitration proceedings to recover this from the charterers as an indemnity or damages, despite the fact that the charterers' only breach was that of the laytime provision in the charter-party.

The Court found that the shipowners may recover damages – in addition to demurrage – for breach of a laytime provision in circumstances where the shipowner has suffered a different type of loss, other than just a delay, by the charterer's breach. The Court found that the purpose of demurrage provisions was not to provide an exclusive indemnity for all possible losses arising out of such a breach, but only to liquidate damages for the loss of use of the ship. The shipowner consequently did not need to establish a separate breach of contract, independent of the original delay, in order to claim damages in addition to demurrage.

This decision brings welcome clarity to an important question and comes as good news for shipowners. Shipowners may now be able to pass on a liability arising from a breach of laytime provisions for a wide range of matters, and bring potentially significant claims against their charterers going beyond demurrage.

These may include:

- cargo claims – this is particularly relevant in circumstances where perishable cargo is carried;
- other liabilities to third parties such as port charges, etc;
- claims for hull fouling/vessel maintenance (including sailing to/from dry docking facilities and dry docking expenses); and
- deviations for bunkering and crew change purposes.

A consequence of this decision could be that charterers may seek to negotiate demurrage time bar provisions on a different basis than has been customary, with a view to limiting their possible liabilities. ***SN***

While every care has been taken to ensure the accuracy of this information at the time of publication, the information is intended as guidance only. It should not be considered as legal advice.

Q I am a shipowner, who owns a modern bulk carrier. What are my liabilities in the event of an unfortunate and accidental spill of bunkers?

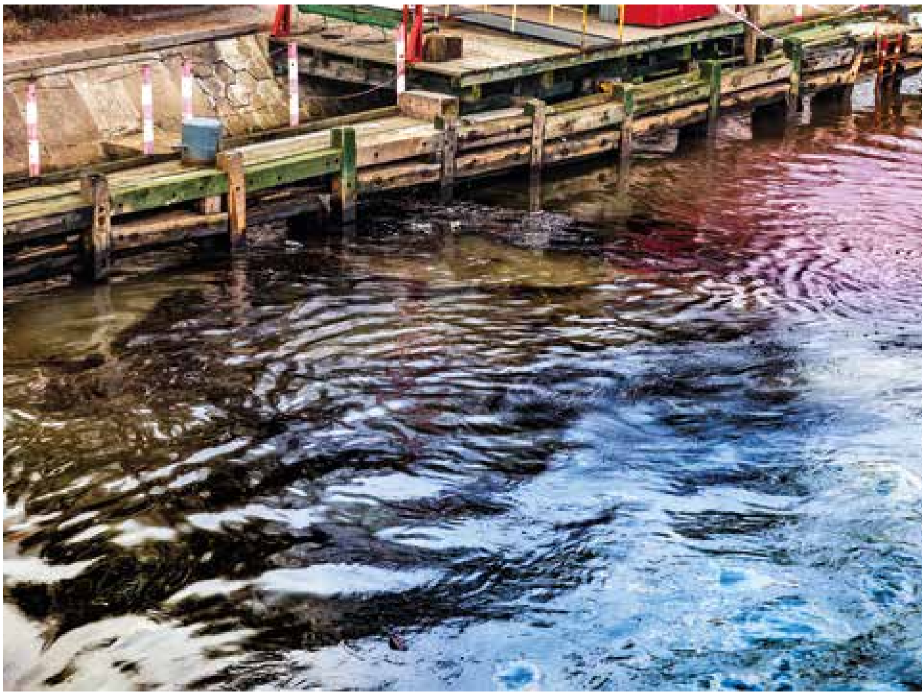
A Bunker spills can cause great damage to the environment as well as to a coastal state's industries and economy. As such, the clean-up costs incurred and associated claims against the shipowner may be for a significant sum. The recent grounding of the bulk carrier Wakashio off the coast of Mauritius serves as a reminder of the extensive oil spill damage that can be caused by non-tanker vessels.

In contrast to the compensation regime for oil spills from tankers, which is regulated by the 1992 Civil Liability Convention and the IOPC Fund Convention 1992, bunker spills are covered by the 2001 International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention). The Bunker Convention provides for a specific liability regime for oil pollution damage caused in the territorial waters or exclusive economic zone of the relevant coastal state. It is important to note that this means the incident causing the spill does not have to take place within the coastal state's territory for a claim to be actionable, but only the resulting pollution damage.

Under the Bunker Convention, the registered shipowner is required to arrange compulsory insurance or financial security for the ship. Certification that such insurance is in place is evidenced by a 'blue card' issued by the vessel's P&I club. Should a bunker spill occur Article 7(10) of the Bunker Convention allows claims to be brought directly against the vessel's insurer, which should provide some relief to shipowners by reducing the administrative burden of passing claims on to their insurer to seek subsequent reimbursement. This does not mean, however, that the shipowner is exempt from liability, as claimants may opt to sue the shipowner directly. Further, the insurer has the right to join the shipowner to any proceedings.

Apportioning liability

Liability under the Bunker Convention is effectively strict as a claimant will only need to show that the pollution damage emanated from the relevant vessel. The shipowner's liability will generally only be excluded in the narrow circumstances where the damage was caused by a) an act of war, hostilities or natural phenomena; b) intentional acts by a third party; or c) negligence attributable to an authority responsible for navigational aids. The liability will therefore in most cases rest on the 'shipowner', which under the Bunker Convention's definitions encompasses the registered owner, bareboat charterer, manager and operator of the ship. Claims may be brought against one or more of these interests, wherein they will be jointly and severally liable. It is therefore advisable for not only shipowners but also managers and operators to familiarise themselves with the relevant provisions of the Bunker Convention, and be ready to act if an accidental oil spill occurs.



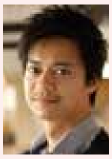
Bunker spills can cause extensive damage

Under Article 6 of the Bunker Convention, the shipowner can limit their liability under the 1976 Convention for Limitation of Liability for Maritime Claims (the 1976 Convention) by which a shipowner may establish a limitation fund based on the ship's gross tonnage. The value of the limitation fund under the 1976 Convention has been increased twice, through the optional 1996 Protocol and therefore, and importantly, the size of the possible limitation fund will depend on what limitation regime has been implemented in the country or countries where the damage is suffered. One of the first practical considerations for owners, operators and local agents in the event of a bunker spill will therefore be to determine what (if any) limitation regime applies under the relevant national laws. It will also be important to seek local legal advice as claims under the 1976 Convention can only be brought in the countries where the pollution damage has occurred. **SN**

While every care has been taken to ensure the accuracy of this information at the time of publication, the information is intended as guidance only. It should not be considered as legal advice. The articles were written by Cecilie Rezutka and Guy Main. Cecilie is an associate and Guy a senior manager (partner equivalent) at HFW, a sector focused law firm specialising in shipping, aviation, commodities, construction, energy and insurance. Both are in the shipping department in HFW's London office. Guy is also a Fellow of the Institute and, before joining HFW, he spent 18 years as a shipbroker. Research was carried out by Johanna Ohlman.

Call for medium range derivatives rethink

S&P Global Platts' Chris To argues the case for a West Africa clean trade benchmark



Chris To

In the global trade of refined oil products, the transatlantic route travelled by gasoline cargoes from Europe to the US has for decades been the bellwether for the west of Suez clean tanker market.

But a wider picture is now developing that concerns a fundamental shift in refined product flows that could implicate the medium range tanker market years down the line.

The most traded clean tanker trading route west of Suez, the UK/Continent-US Atlantic Coast benchmark for 37,000t medium range (MR) tankers remains the most prominent route, but the rise in shipments to another key basin – in West Africa (WAF) – is now laying a claim to being the primary export location for key exporters in the UK/Continent (UKC) in the medium to long term.

In turn, the derivatives market needs to adjust to the possibility of another option; another tool for market players to hedge and cover potential idiosyncratic exposures experienced on the transatlantic markets.

As a prospective hedging tool to both explore and exploit, the time has now come for a UKC-WAF 37,000t benchmark to take shape in clean tankers.

Another option for MR owners

When looking at a transatlantic cargo to fix, MR owners typically factor round trip economics into their decision by analysing their prospects on the backhaul market – which is a US Gulf Coast – UKC shipment for MRs. If the intention of the shipowner is to reposition in the continent, this dynamic, and its earning potential, is known in the market as the transatlantic triangulation.

The key word is one used above – exposure. Every market player that factors in round trip calculations is exposed to typical volatilities encountered in the market. This can come in a variety of forms, but with the US Gulf (USG)-UKC MR market it can typically come from supply shocks to outgoing cargoes due to weather factors. The USG often acts as a magnet for vessels to make the ballast when an arbitrage window opens – tonnage can reposition just as quickly as it can dissipate.

This is where a WAF benchmark comes in – giving the market a chance to take a position for the long journey down south against the transatlantic voyage.

What most of the market will say is that the WAF market is commonly and easily identified as a Worldscale premium against transatlantic runs. This is true – it is fairly easy to determine WAF market rates if US Atlantic Coast (USAC) runs are also known.

But the premium is subject to change, and sometimes quite volatile, showing that the WAF market warrants a life of its own on the derivatives stage.

Throughout the fourth quarter 2019 and early in Q1 2020, WAF premiums against UKC-USAC rates rose as high as 50 Worldscale points – a change that pushed some market participants to state that MR markets were at times "WAF driven".

2020 has proved to be an atypical year in terms of identifying recurrent trends in the MR clean market, as supply and demand fundamentals have battered shipowners over the course of the second half of the year. As a result, overbearing tonnage weighed against diminishing cargo availability has plummeted freight markets to multi-year lows, and therefore

2020 has been an atypical year for spotting recurrent product tanker trends

scuppered premium potential developing for UKC-WAF markets.

But the key is that liquidity has still been matched for shipments down to West Africa against their transatlantic counterparts, and despite all the pressures of the Covid-19 pandemic on aspects such as demand and appetite despite the restrictions in place, the West African import market has continued to remain firm.

We argue that is here to stay.

WAF importance

The accompanying chart provides an illustration of oil product import growth into Nigeria. Growing economies in the West Africa region continue to drive up demand for oil products, primarily gasoline and gasoil, which cannot be met by local refineries. In the region, refinery facilities do not have sufficient fluid catalytic cracking units to allow efficient conversion into gasoline products – they simply aren't equipped to satisfy local consumption.

In Nigeria's case, an antagonist to continued shipping flows into WAF is the Dangote refinery complex, which is currently undergoing construction in the country. Market players envision the completion of this facility to signify the start of self-sufficiency for refined oil products for the country, and one could see this spelling the end for product imports in the long term.

We argue this vision will not be realised over the next few years, at least fully. Though the refinery has announced it will launch its trading operations over the next year, Covid-dependent, delays to the facility itself have been exacerbated by the current pandemic and will only likely be completed past 2023.

We also argue that there is no feasible scenario where refined oil product imports will be instantaneously replaced by domestic output, with a current drive up in demand in the region far outpacing what the refinery can do to displace incoming volumes.

Indeed, recent announcements pushed by the Direct Sales of Crude Oil and Direct Purchases of Refined Products scheme have shown that the current exchange model of crude oil for refined products for Nigeria will likely be adapted for the next few years.

The argument is there in plain sight that these volumes will see continual flows down the line, but what about the existing transatlantic trade flow for gasoline from UKC-USAC – what volumes will we be seeing on this route in the years to come?

Here there is little agreement. Some claim that the development of sweet crude capacity in the US will in the longer term make the country self-sufficient in gasoline supply, while others expect the trade flow to have more longevity.

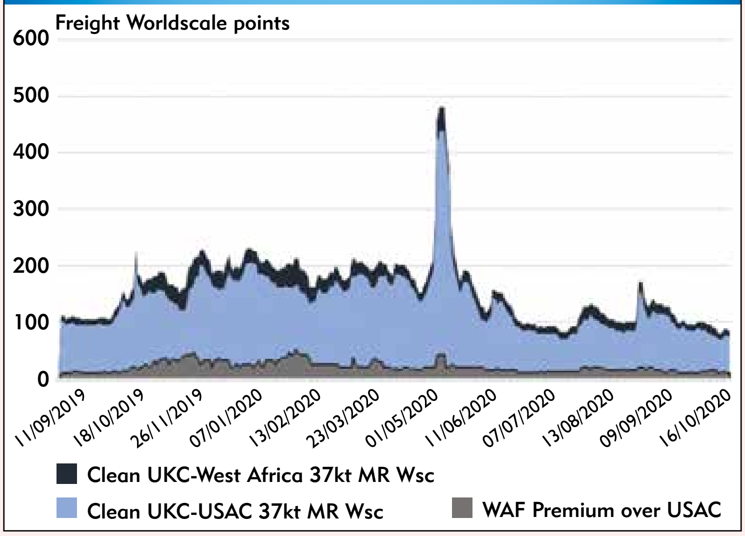
But universally, there is recognition that volumes are likely to stay steady, while incremental rises in WAF appetite could shift tanker focus to the opportunities on display in the south.

Ultimately, a WAF benchmark would not only provide a hedging tool for the market to explore, but would open the door for an extra stream of revenue and income.

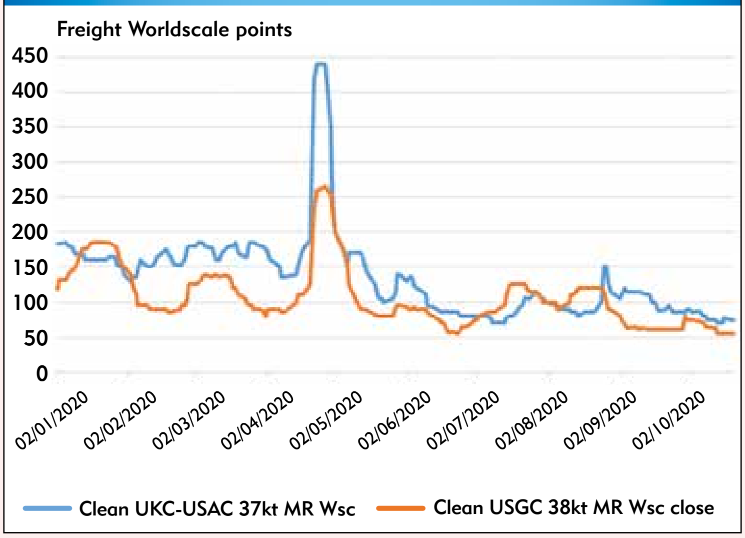
With major oil traders continuing to invest in West Africa, the potential can no longer be ignored. **SN**

Chris To is associate editor – tanker markets, EMEA shipping for S&P Global Platts, www.spglobal.com.

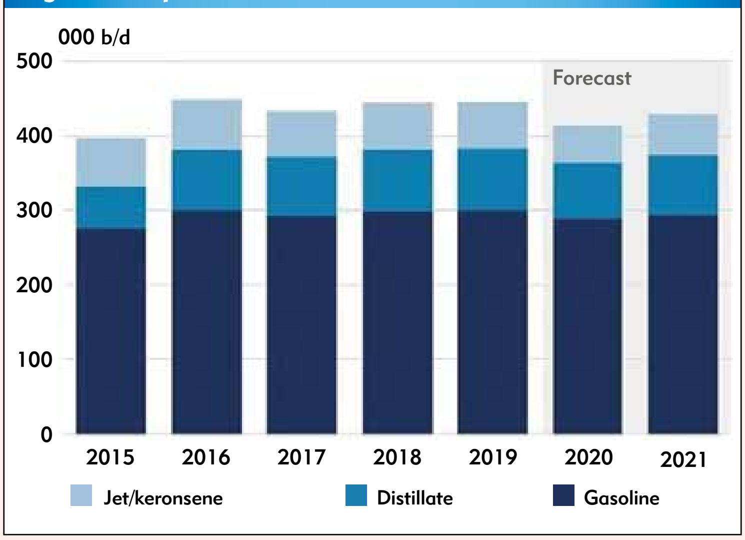
UKC-USAC vs UKC-WAF market since Q3 2019



UKC-USAC vs USGC-UKC 2020



Nigerian oil product demand



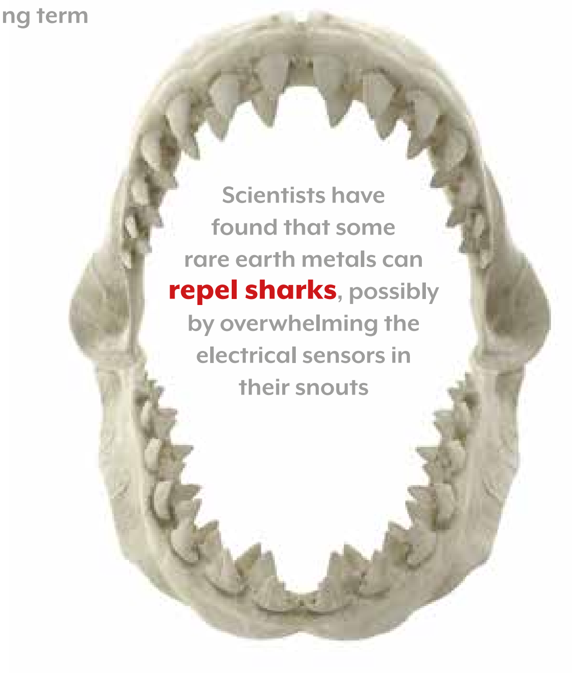
Source: S&P Global Platts

Homage to rare earth metals...

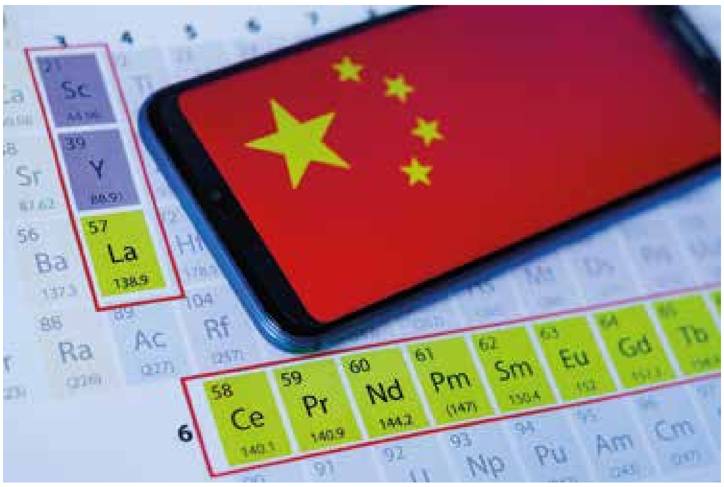
Weird and wonderful facts about one of the shipping industry's commodities. This month, we take a closer look at rare earth metals.

There are **17 rare earth metals**.
Despite the name, these elements – defined as the 15 lanthanides plus scandium (Sc) and yttrium (Y) – are not as rare as one might think. Although originally thought to be rare, many of the minerals are actually common in the Earth's crust. However, due to the difficulties in extracting the metal from the ore, rare is a fitting term

Europium – the rare-earth used in computer monitors and TV screens – costs about **$712,000 per metric ton**



Scientists have found that some rare earth metals can **repel sharks**, possibly by overwhelming the electrical sensors in their snouts

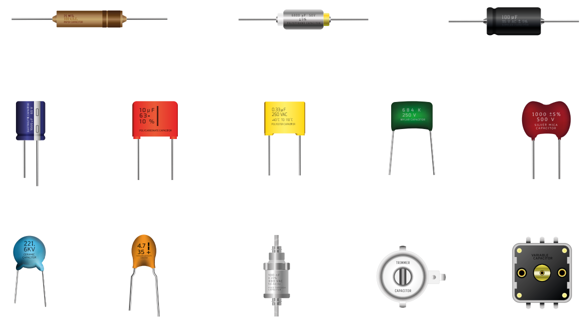


China has the highest reserves of rare earth minerals at 44 million million tonnes. The country was also the world's leading rare earths producer in 2018 by a long shot, putting out **120,000 million tonnes**

Rare-earths are also mined in **Brazil, India, South Africa, Canada, Australia, Estonia, and Malaysia**

Canada has some of the largest known reserves and resources (measured and indicated) of rare earths in the world, estimated at over **15 million tonnes** of rare earth oxides

The rarest metal on earth is **francium**, but because this unstable element has a half life of a mere **22 minutes**, it has no practical use



The rarest stable metal is **tantalum**. Tantalum is used to make **capacitors** in electronic equipment such as mobile phones, DVD players, video game systems, and computers

Of the light rare earth metals, **neodymium** is considered one of the most critical. The metal is used in everything from mobile phones and electric cars to medical equipment. Neodymium is also the main light rare earth used in the creation of **permanent magnets**. These magnets are incredibly versatile and are heavily used in data storage systems and wind turbines

Praseodymium is a significant light rare earth metal. It is used in alloys to form **aircraft engines**. It is also used in the film industry for studio lighting and other projects. Like many rare earth metals, praseodymium plays a role in creating permanent magnets as well

Military's **night-vision goggles**, precision-guided weapons, communications equipment, GPS equipment, batteries, and other defence electronics all utilise rare-earth elements

Building a rare-earth **mine** can cost up to a $500 million

60%

China's rare earth mineral **consumption** accounts for 60% of global consumption

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Setting a path for the Institute's future

Susan Oatway reports on the discussions and actions of this years' Controlling Council

Susan Oatway

Controlling Council took place virtually this year due to the global pandemic, but if we are honest there was also a significant advantage for our finances in this decision. We met, via the GoToMeeting platform, for three daily sessions from October 19 to 21.

The first session was on the Institute's finances. Those of you who have read your Annual Report will have seen that we recorded another loss over 2019/20. A lot of this was due to the deferment of the May exams to July, however it was acknowledged that it was part of a trend and Controlling Council (CC) needed to have a thorough conversation to understand the budget, consider whether the Institute remained a going concern and look further into cutting costs and improving revenue streams.

The Finance and Audit Committee (FAC) have been working diligently with the secretariat to produce a budget that is realistic regarding the potential effects of Covid-19 and contains significant cost control measures. This budget was scrutinised by CC to ensure we all understood both it and its ramifications.

Inevitably there were questions from members about the costs for recruiting a new director. As I advised CC, the use of a recruitment consultant is necessary to ensure transparency both to our members and the wider world. However, the first set of outside candidates did not produce a suitable replacement so, as I am sure you know by now, Robert Hill FICS has agreed to take up the position of interim director while the Remuneration Committee work out next steps.

There were also questions about why the Institute had not furloughed its staff during the UK lockdown. We were advised that as all staff had an ongoing role this was not possible. In particular at the time many examination centres were still planning to hold examinations, the preparation for an exam session is long and if staff had been furloughed no exams would have been possible, meaning fees would have needed to be refunded.

You will all have seen in my piece in the Annual Report the reasons behind the movement of the Australia and New Zealand (ANZ) funds and this inevitably led to a discussion about going concern. The FAC had reviewed the cash flow that was sent to the auditors and confirmed they would be monitoring the budget. We agreed in the workshop this had to be a minuted item in our meeting and that going forward this had to be a much clearer issue for Executive Council (ExCo).

We also had a discussion about new revenue streams. The Corporate Supporter Scheme was widely discussed. I know a number of branches have a scheme in place and I would be grateful if they could share the information with Head Office.

This was a great start to Controlling Council 2020 with participation from every branch with a number of positive, forward looking ideas being brought to the table.

Governance focus

The second day's workshop was on the Governance of the Institute. This was precipitated by concerns highlighted by ANZ Branch over the summer, with regard to the roles and responsibilities of our elected officers and some items that had been brought up with the former director's resignation.

We started the meeting with a brief presentation by Keith Lawrey from the Foundation for Science and Technology, who has been advising the Institute on the Royal Charter, Governance and Bye Law review. Keith spoke about at the liabilities of directors and trustees. He explained that being granted a Royal Charter shows state recognition that we are the leading body in our field, in the public interest. We (The Institute) are a legal entity in our own right, to pursue the objects of the Royal Charter. The Institute is governed by its members who have the right to challenge anything. We, the CC, are the agent for the members and members of CC jointly and severally have liability of negligence for assets and purposes and the decisions they make. It was a great scene setter for what was to come and definitely focussed our minds.

We went on to have a wide ranging conversation about the role and responsibility of CC members to the Institute and to their branches, the need for a Code of Conduct, the role of ExCo and the competencies needed for that Council. We agreed to set up a Governance Working Group (GWG) with myself, my vice chairman and two other keen members of CC and the branch chairman from ANZ. This group will look at a suggested protocol and Code of Conduct and general governance issues. It will report to ExCo and as such you, our members, will also get regular updates in the chair's report.

Future goals

We went into our Controlling Council meeting on the third day with a much better understanding of our role and responsibilities, a much clearer idea of the financial situation we were in and, I believe, a very positive looking agenda.

We continued with both our finance and governance discussions, making sure that there were necessary minuted actions to take items forward, such as the FAC recommendations for financial governance, the Membership Committee being asked to look at a global corporate supporter scheme, the Education and Training Committee looking closer at online exams and the GWG being tasked with ensuring better protocols are in place.

Long video meetings with a lot of participants are hard work but I believe we did you, our members, proud. The positive mood and forward-looking attitude, combined with the willingness to work closely with the secretariat will, I am sure, turn our Institute around. I closed the meeting with some thoughts for your Controlling Council representatives that I would like to share with all of you, because they are relevant to you all too.

We still have a lot of work to do. Co-operation between the branches and the secretariat is key – it is our Institute and we must be part of the efforts to save it. We spent a lot of time talking about the finances and, as mentioned, the FAC and secretariat have produced a budget with some significant cost cutting ideas – and they are committed to finding more. However, we, your Controlling Council, could not agree a fee increase of more than 2%. I absolutely understand the reluctance of some branches to commit to this, especially in these difficult times, but that does mean we all need to think of other ways to generate income. I know a lot of you are experts in branch-led initiatives – how can we share these with the global Institute?

We have survived 100 years and I am sure we will survive 100 more, but we need new ideas for global revenue generation to do that. Remember without the global Institute, the branches have no link, no network and no qualification. This year it is not about what your Institute can do for you, but what you can do for your Institute. I look forward to hearing from you all soon – and I will try hard to keep you regularly updated on the work of your Controlling Council and associated Committees. **SN**

Susan Oatway FICS is international chairman of the Institute.

Online AGM encourages record attendance

Robert Hill reports on the outcomes of the latest annual meeting


Robert Hill

The Institute held its Annual General Meeting (AGM) on October 8, 2020. Members were invited to attend in person and online.

Because of the pandemic only three members attended in person, however it was wonderful to see 83 members joining online. This was the largest attendance at an AGM for many years and shows the value of holding it online to allow members from around the world to attend and participate.

The president The Lord Jeffrey Mountevans welcomed all those attending and acknowledged the contribution of the former director, Julie Lithgow, who left the Institute in September after nine years. The chairman Susan Oatway then explained the handling of the funds from the Australia & New Zealand Branch which have now been returned to the Branch.

The annual accounts for the year ending May 31, 2020 were presented to the meeting and discussed. Members took the opportunity to ask questions about the Institute finances and its position after the first quarter of the 2020-21 year.

The chairman expressed gratitude for the advice and experience of Lord Mountevans, together with his wise counsel and leadership to the Institute. The chairman then proposed an extension of six months to Lord Mountevans' presidency which she believed would be of great advantage to the Institute and also provide continuity in a period of great change and challenges for the Institute. There were no dissenters to this proposal.

The chairman invited the worldwide branch network of the Institute to submit suggestions for the next president. The chairman explained that to enable the new president to have a handover period she proposed a Special General Meeting on February 8, 2021 to elect the new president. There were no dissenters to this proposal.

The AGM continued with the formalities of confirming the composition of Controlling Council for 2020-21 and re-electing hayesmacintyre as auditors for another year. It was noted with regret that the annual prize giving ceremony could not take place this year due to the global pandemic.

In closing, the president thanked all members for attending and contributing to the AGM. **SN**

INSTITUTE OF CHARTERED SHIPBROKERS

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Covid and Brexit double-punch

John Grange foresees a 'bloody and brutal' end to the year in the UK

I was honoured to be elected Federation Council chairman at the council's AGM in September and would like to start by thanking Steve Gillie for his development and leadership of the Council over the last three years. I would also like to re-assure him that he will be leant on heavily in the years to come.

Thanks also to Richard Willis who is stepping down from the Federation Council Committee and retiring after a long and valuable service to his company and the Council.

My background is quite simple: my career started in the Merchant Navy and I then moved to my present company Grange Shipping, a port agent and freight forwarder based in Felixstowe. I have accidentally accumulated a lot of Customs knowledge along the way.

The Institute represents its UK company members through its trade association, Federation Council. The Council represents its members in various functions including support for UK light dues collection and EUR1 & ATR1 authentications, and through links with FONASBA, ECASBA, the Joint Customs Consultative Committee and Maritime UK. The Council is also making progress with a Port Agent Apprenticeship scheme.

Company membership

Company membership currently stands at 106 made up of 91 full members, 10 affiliate members and five associate members. Two new full company members were approved at the recent Council, namely New Holland Dock Wharfingers and Cliffside Shipping Co.

The Council agreed a further 4% increase in fees in September, mindful of the financial benefit of Federation Council membership and the needs of the Institute. The potential financial risk that the Institute has with Trinity House is underwritten by insurance – which is expensive but necessary to secure that business and the benefit to the Institute overall.

Two other matters of relevance to company members were discussed at the last meeting: Covid-19 and Brexit. Away from the undoubted human tragedy and disruption to normal life, which cannot be underestimated or forgotten – Covid-19 is taking a real toll on business. At the very least this means decreased efficiency, increased costs and lost opportunity. We are fortunate that, in general, we work in key industries that must keep going. However, we always need to be mindful that our customers are likely more adversely affected and there will be undoubted financial implications of that fact in the future.

Covid-19 now also appears to have gathered its 'winter wings' and we can only brace ourselves and hope that its threat can be mitigated to more manageable levels. Business will, hopefully, return to more sustainable levels in 2021.

As the clock ticks down, the UK shipping industry prepares for its EU departure

Brexit horizon

In the UK and parts of the European Union, Brexit is the burning topic of the day. From my UK perspective there certainly seems to have been more thought put into the practicalities of a no deal in Europe than in the UK where we seem to be proceeding in the confident hope of a miracle, or of the UK Government getting a new computer system up and running in three months, which in my view amounts to the same thing.

When the transition period ends on December 31, the impact will likely be bloody and brutal and in my view could easily finish off a lot of Covid-19 weakened companies.

I will keep Federation Council updated of any relevant Brexit developments and have offered my support to any member company that needs it. I look forward to a day when I will be able to actually leave Felixstowe to meet them all. **SN**

John Grange is chairman of Federation Council. For more information on the Council's work, or to join as a company member email federation@ics.org.uk.

An examination year like no other

Matt Gilbert reports on the extraordinary steps taken to support professional learning in 2020

Matt Gilbert

This year, results for the spring/summer exam sessions were published on September 21, later than usual due to the pandemic and to allow inclusion of a postponed exam session held in July.

Our examinations teams worked extremely hard to shorten the marking and assessment process, reducing it by a month, while still maintaining the Institute's robust standards. Meeting this accelerated date was important as it allowed students enough time to make decisions about registering for the November exam sitting. To assist further, the usual back-to-school discount period was extended until the booking deadline on October 8.

As I write this article, we are beginning the first day of the November exam sessions, where Covid-19 continues to make its impact felt. Examinations are proceeding as planned, though centres are adapting to last-minute changes in government guidelines in order to ensure they can proceed safely and in compliance with any new control measures that come into force.

In spite of the crisis that unfolded during 2020, 1,198 students registered to sit 2,227 exams during May/July and we wholeheartedly commend the resilience and determination of our students in continuing with their professional studies and career development plans.

In that exam sitting, many centres were unable to host exams due to local pandemic-related restrictions. Indeed, attendance overall was affected by the pandemic with a global absence rate of 23%. All students who were unable to sit exams due to Covid-19 were offered a 'compassionate consideration' process in order to defer their exams at no cost to a suitable session in the current academic year.

Those students who were able to sit exams fared extremely well with record pass rates of 67%. The top large exam centre was Odessa with a pass rate of 86%, followed by Limassol at 81% and London at 75%.

Standards setting

Examination standards are safeguarded by the Institute's Board of Examiners, where pass and grade boundaries are fixed and are not adjusted by statistical methods related to the performance of any particular cohort. The Institute does not consider that algorithms or centre-assessed-grades offer a trustworthy method of assessment, counter to the view of some public exam boards in their responses to potential disruption. It is a real credit to all of our centres, members and partners that so many exams were safely held. Timing was also fortunate as virus transmission rates were starting to be brought under control in many of our centres.

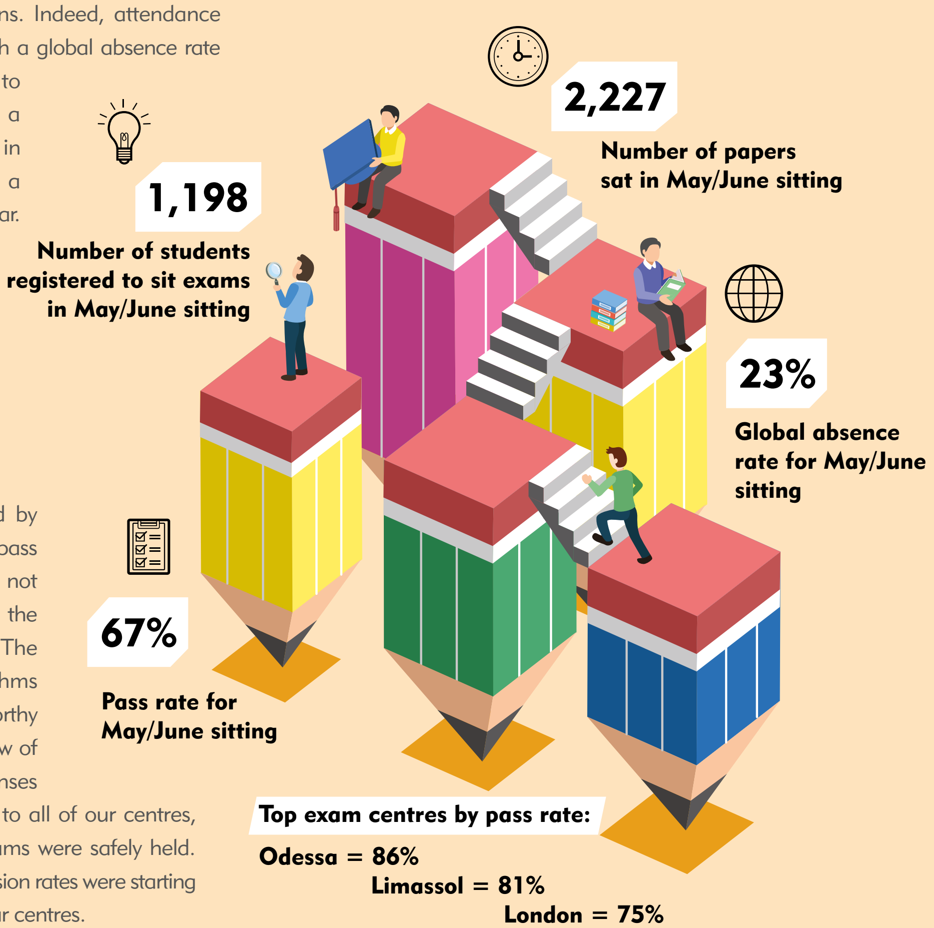
Exam results for the November session will be published on February 25 and registration is now open for May 2021 exams – registration will close on April 8.

There are now more structured study options available than ever before including Fast-Track, Spring PREP, TutorShip, evening/online classes and self-study methods supported by the Institute's branch network. As ever, our team of advisors at Head Office or in our network of branches, teaching centres and recognised partners would love to hear from you to discuss which study option would be best suited to you.

Finally, we are delighted that almost 100 students completed the magic seven Professional Qualifying Examinations in the May/June sitting and are now able to apply for election to membership. We wish you a warm welcome to the Institute!

We hope that you will join other Institute members in encouraging your friends and colleagues to begin their journey towards professional qualification – there has never been a more important time to invest in your education and put yourself in the strongest position for your future career. SN

Matt Gilbert is head of business and partnerships at the Institute. Contact Matt on m.gilbert@ics.org.uk.



FOUNDATION DIPLOMA

Location	Name	Foundation diploma in:
Accra	Nicholas Quartey	Port Agency
Antwerp	Alessandro Basso	Shipping Finance
Athens	Nikos Theodorou	Economics of Sea Transport and International Trade
Cape Town	Shaun Slabbert	Port Agency
	Teegan De Kock	Port Agency
	Chantel Davids	Ship Operations and Management
Colombo	Randika De Silva	Economics of Sea Transport and International Trade with Distinction
	Ashmitha Chandrakumar	Port Agency
	Magoda Gamage Perera	Port Agency
	Roger Ratnayake	Port Agency
	Aruni Wijepala	Port Agency with Distinction
Douala	Esah Fomenky	Legal Principles in Shipping Business with Distinction
Dublin	Oliver McAlpine	Ship Sale & Purchase
Durban	Alex Currie	Dry Cargo Chartering
London	Harry Mossop	Dry Cargo Chartering
	Thomas Page	Dry Cargo Chartering
	Alexander Smith	Dry Cargo Chartering
	Joshua Porteous	Offshore Support Industry
	Oksana Reznichenko	Ship Operations and Management
	Alexander Doody	Ship Sale & Purchase
	Daniel Morris	Tanker Chartering
Moscow	Egor Dogonashev	Port and Terminal Management
Msida	Erik Gollcher	Liner Trades
Oslo	Natalia Sunevica	Ship Operations and Management
Réduit	Marie Christabelle Elodie Ladouce	Ship Operations and Management
	Marie Joelle Willina Martin	Ship Operations and Management
	Jean Ludovic Marie	Ship Operations and Management
	Ritesh Dhunputh	Ship Operations and Management
Singapore	Sylvia Ng	Dry Cargo Chartering
	Andreas Salim	Economics of Sea Transport and International Trade
Vancouver	Ka Keung Lo	Dry Cargo Chartering

ADVANCED DIPLOMA

Location	Name	Advanced diploma in:
Accra	Ama Sam	Marine Insurance
	Leticia Aikins	Port and Terminal Management
Athens	Michael Karasoulis	Economics of Sea Transport and International Trade
	Nikos Theodorou	Legal Principles in Shipping Business
	Athina Mangiorou	Legal Principles in Shipping Business with Distinction
	Stylina Malli	Legal Principles in Shipping Business with Distinction
	Aikaterini Psarrou	Offshore Support Industry
	Dimitra Agortsi	Ship Operations and Management
	Kimon Dimitropoulos	Ship Operations and Management
	Ioannis Kordos	Ship Sale & Purchase
	Dimitris Dimtsas	Ship Sale & Purchase with Distinction
Colombo	Kanchana Bopitiya	Liner Trades
	Tharaka Chathuranga	Liner Trades
	Muhammed Saleem Muhammed Ibrahim	Liner Trades
	Dinesh Prasantha Fernando Wannakuwattha Waduge	Liner Trades
	Eranga Thewarapperuma	Port Agency
Doha	Krishna Nair	Dry Cargo Chartering
Dublin	Kyle Carey	Economics of Sea Transport and International Trade
	Nicholas Iodice	Port Agency
	Richard Forde	Port Agency
	Clodagh O'Reilly	Port Agency
	Oisin Darcy	Port and Terminal Management
Hull	John Richards	Dry Cargo Chartering
	Charlotte Gifford	Port and Terminal Management
Istanbul	Salih Dellal	Dry Cargo Chartering
Limassol	Antria Aristeidou	Port Agency
	Dimitris Kouzapas	Port Agency with Distinction
London	James Charman	Dry Cargo Chartering
	Humphrey FitzRoy Newdegate	Dry Cargo Chartering
	Linn Vardheim	Economics of Sea Transport and International Trade
	Merlin Glanville	Ship Operations and Management
	Saidullah Khan	Ship Operations and Management
	Ummi Ilu	Tanker Chartering
	Adam Rea	Tanker Chartering
Muscat	Said AL hajri	Dry Cargo Chartering
	Yusuf Khan	Dry Cargo Chartering
Odessa	Denys Myroshnychenko	Liner Trades
	Anna Martynova	Logistics and Multi-Modal Transport
	Dmytro Kobzar	Port and Terminal Management
Oslo	Kine Kyrkjeboe	Shipping Finance with Distinction
Réduit	Keren Rungadoo	Ship Operations and Management
	Ghislain Pascal Arnaud Teycheney	Ship Operations and Management
Singapore	Zhan Wen Loh	Economics of Sea Transport and International Trade
	Afzal Machingal	Shipping Finance
	Zi Qin Lim	Shipping Law
	Marilyn Lim	Tanker Chartering
Varna	Radu Giurca	Ship Operations and Management
Yangon	Aung Thant	Logistics and Multi-modal Transport

PROFESSIONAL QUALIFYING EXAMINATIONS COMPLETED

Country	Name	Country	Name
Belgium	Arend-Jan Jeswiet	Norway	Jaspreet Brar
China	Chan May		Erik Lazaro
Cyprus	Maria Christou	Pakistan	Safwan Ahmed
	Zina Constantinou		Hasan Khan
	Nikola Giorgalli	Philippines	Manolito Santos Jr
	Alexandra Grigorascenco	Russia	Evgenii Dolgikh
	Marina Kouloundi		Artem Galkin
	Elena Lamprou	Singapore	Tiffany Aw
	Ramona Lavkinaite		Sanju Joseph
	Michaella Stavrou		Pui Wei Marcus Lui
Ghana	Rhodalyn Djanitey		Yong Jian Mun
	Laura Nkengafac		Nishudhan Ravi
Greece	Charalampia Antoniou		Punit Rawat
	Effrosyni Baseki		Navin Subramanian
	Konstantina - Marina Brouzou		Heng Shoon Tan
	Georgia Chatzi		Jann Tan
	Panagiotis Dimakopoulos		Yao Jie Tham
	Maria-Eleftheria Evgenitaki	South Africa	Regina Dhliwayo
	Athanasios Giannakopoulos		Nkululeko Makhaye
	Anastasia Kalyvioti	Spain	Javier Suarez Balsa
	Vasileios Klis	Sri Lanka	J.M.Buddhika Jayaweera
	George Koutsouridis		Romesh Silva
	Despoina Kyritsi	Turkey	Sercan Kacar
	Evangelia Lytra	Ukraine	Andrey Golishchenko
	Elina Malamaki		Oleksandra Kucheriaba
	Loukia Michail		Stanislav Litvinenko
	Eleni Mostratou		Alexey Naydenov
	Sotiris Papathanasopoulos		Andriy Somenko
	Anastasios Patris		Peter Tregub
	Alkiviadis Polychronakis		Victoria Zorya
	Athanasia Sotiropoulou	United Arab Emirates	Laura Burger
	Vasiliki Stefou		Anitha Pinto
	Evdokia Stratigaki		Ajay Singh-Mehar
	Argyro Tegou		Anil Adaplavan
	Eleftheria Theodorou		Carl Patel
	Rafaela Tyri		Rohan Pendse
	Ioanna Ventouri		Shannon Solomon
Hong Kong	Yin Ting Chan	UK	Holly Birkett
	Sze Man Cheung		Matthew Chesterfield
	Shung King Chiu		George Harjette
	Deepak Singh		Bola Jinadu
	Yiqiong Zhou		Maria Kaperoni
India	Shahzad Hameed		Zoe Kent
Ireland	Simon Cleary		Esin Mehmed
	Padraig McDonnell		Katherine O'Brien
Malaysia	Mohamad Mohamad Saad		Alexander Przyjemski
	Syed Syed Mohd Khair		Taner Umac
Netherlands	Johanna Jacobs	United States of America	Liz Thomas

EXAMINATION PRIZE WINNERS

Prize	Candidate	City
AFRIMARI AWARD to the student gaining the highest mark in Shipping Business sitting in an African examination centre	**Grace Olga Apiyo**	**Kenya**
ARMAC AWARD to the student with the highest mark in the Foundation Diploma in Port Agency	**Aruni Imalka Wijepala**	**Colombo**
BALTIC EXCHANGE AWARD to the student gaining the highest mark in the Shipping Law Qualifying Examination	**Elita Papademas**	**Limassol**
BALTIC EXCHANGE AWARD to the student gaining the highest mark in the Shipping Business Qualifying Examination	**Rebecca Archenhold**	**London**
BALTIC EXCHANGE AWARD to the student gaining the highest mark in the Dry Cargo Chartering Qualifying Examination	**Igor Moroz**	**Odessa**
BDO AWARD to the student gaining the highest mark in the Shipping Finance Qualifying Examination	**Vassilis Stavropoulos**	**Athens**
BRAEMAR ACM SHIPBROKING AWARD to the student gaining the highest mark in the Tanker Chartering Qualifying Examination	**Anna Pekhova**	**Novorossiysk**
CLARKSON AWARD to the student gaining the highest mark in the Foundation Diploma in Dry Cargo Chartering	**Radu Giurca**	**Varna**
CORY BROTHERS AWARD to the student gaining the highest mark in the Port Agency Qualifying Examination and sitting in a UK centre	**Kiran Nair**	**Liverpool**
DENHOLM PORT SERVICES AWARD to the student gaining the highest mark in the Foundation Diploma in Ship Operations & Management	**Oksana Reznichenko**	**London**
E A GIBSON SHIPBROKERS AWARD to the student gaining the highest marks in Introduction to Shipping in either the Foundation Diploma or the Qualifying Examinations	**ZJ Wang**	**Shanghai**
IHS-MARKIT AWARD to the student gaining the highest mark in Ship Operations & Management in the Qualifying Examinations	**Subhasis Behera**	**Klaipeda**

EXAMINATION PRIZE WINNERS

Prize	Candidate	City
ITIC GLOBAL TANKER CHARTERING AWARD to the student gaining the highest mark in the Foundation Diploma in Tanker Chartering	**Daniel Morris**	**London**
JOHN O'KEEFFE AWARD to the student gaining the highest mark in the Foundation or Advanced Diploma in Ship Sale and Purchase	**Dimtris Dimtsas**	**Athens**
KENNEDY MARR LIMITED AWARD to the student gaining the highest mark in Offshore Support Industry in the overall Examinations	**William Mitchell**	**London**
LLOYD'S LIST AWARD to the student gaining the highest mark overall in completing the Qualifying Examinations	**Evangelina Lytra**	**Athens**
MATTHEW GOOD MEMORIAL AWARD to the student gaining the highest mark in Foundation Diploma in Liner Trades	**Sharon-Rose Njeri Mwanza**	**Mombasa**
MEDITERRANEAN SHIPPING CO (UK) AWARD to the student gaining the highest mark in Logistics and Multi-modal Transport in the Qualifying Examinations	**Fathima Awn**	**Colombo**
PETER TALBOT WILLCOX MEMORIAL AWARD to the student with the highest mark in Ship Sale and Purchase in the Qualifying Examinations	**Filippos Mentis**	**Athens**
PORT STRATEGY AWARD to the student gaining the highest mark in Port & Terminal Management in the Qualifying Examinations	**Nkululeko Makhaye**	**Durban**
REED SMITH LLP AWARD to the student gaining the highest mark in Legal Principles in Shipping Business in the Qualifying Examinations	**Gautam Banik**	**Visakhapatnam**
SHIPBROKERS' REGISTER AWARD to the student gaining the highest mark in Port Agency in the Qualifying Examinations	**Shahzad Hameed**	**Dubai**
SPNL AWARD to the most successful first year student sitting Examinations in London	**Shanel Eliz Hassan**	**London**
THE SHIPWRIGHT'S AWARD to the most successful student overall in the Examinations	**Sachin Sadanand Kubal**	**Mumbai**
TUTORSHIP PIETER VAN GELDER AWARD to the candidate gaining the highest mark in Liner Trades in the Qualifying Examinations	**Georgiy Tykhonenko**	**Odessa**
VAUGHAN-JAMES EUROPEAN AWARD to the top student of French, Spanish or Portuguese Nationality and whose first language is not English	**Ana Perez Mallo**	**Barcelona**

Shipping specialists join the Institute's family

Carly Fields welcomes the Institute's newest fellows

Carly Fields

Three new fellows have been welcomed into the Institute family in the latest round of proposals, two as honorary members and one as a life member.

Nominated for honorary fellowship by the Turkey Development Branch was Şadan Kaptanoğlu, president of BIMCO and a director for Kaptanoğlu Denizcilik.

In support of her proposal, Bahadir Tonguc, chair of the Turkey Development Branch, said: "[Şadan] has always been devoted to the Institute and very supportive in promoting the Institute in the world and in Turkey. We, individually, and as the Institute Turkey Development Branch, visit her regularly to share opinions and discuss how to develop the shipping business… We believe that her loyalty and support to the Institute deserves this consideration by the Executive Council."

Speaking to *Shipping Network*, Şadan praised the Institute for its long history and its "many successful and respected members". She said: "I have always been supporting and promoting the importance of Institute membership for the next generations. Therefore, it is such a privilege to receive honorary fellowship."

Şadan continued saying that she is looking forward to building strong connections with members and fellows around the world to support and promote the Institute locally and globally. "BIMCO and the Institute have a great relationship which spans decades – a relationship built on shared values. In particular, both organisations have an ambition to increase the knowledge and skill level of the entire maritime industry." *Shipping Network* exclusively interviewed Şadan for the June 2020 issue.

BIMCO president Dr Şadan Kaptanoğlu is awarded her honorary fellowship certificate

James Freeland

The second honorary fellow is James Freeland, Institute president from 2000 to 2002. In recommending James, Robert Hill, interim director of the Institute, commented: "Bye Law 8 states 'Honorary Fellowship may be awarded to members of the international maritime community who have made an exceptional contribution to shipping'. There is no doubt that he has made such a contribution to the industry and Institute."

After completing his term as president, James was awarded associate membership and later became a member. Presidents of the Institute in recent times who are not already fellows are usually awarded Honorary Fellowship for their service to the Institute.

James was a leading sale and purchase broker specialising in the newbuilding field, pioneering UK ship broking in countries such as South Korea, Taiwan and Spain after many years working with Japanese and UK shipyards. He was actively involved with placing the early very large crude carrier contracts in Europe for YK Pao who previously had built only in Japan.

Speaking to *Shipping Network*, James said that while it may have taken 20 years to arrange, he is now "very proud" to have the initials Hon FICS after his name. James started his career as a shipbroker in 1966 at the age of 30. He was already a member of the Baltic Exchange through his employment with Naess Denholm & Company, a ship management and agency subsidiary located in London. After a deal involving the Naess Group building a new ship in the UK, he was invited to join Clarksons as a broker in its newbuilding department.

"In retrospect," he says, "that was the time I should have taken my qualifying exams to join the Institute but I spent most of the next two years travelling to Korea on a deal involving tankers to be built in Sweden and the UK!"

After 25 years with Clarksons, James took early retirement and joined Paul Slater as deputy chairman of First International Group, a specialist ship finance company. Then two years later, Alan Marsh FICS invited him to join Braemar Shipbrokers, where he returned to newbuilding broking. It was from there that he semi-retired after his year as Prime Warden of the Shipwrights Livery Company. Then in 1997/98, he was approached by Eric Shawyer, "aided and abetted" by Michael Everard and Alan Marsh, who suggested that he should consider taking on the presidency of the Institute.

Reflecting on his presidency, James said: "I do believe that during my two years as president, I was able to lift the profile of the Institute, particularly in Dubai where we had an audience with Sheikh Mohammed and in Hong Kong where I arranged for Dr Helmut Sohmen to speak at a branch meeting."

Hilary Park

Hilary Park, a former committee member, education officer and secretary of the Ireland Branch of the Institute, is welcomed as a life member.

Hilary grew up living beside the sea in Dublin and would regularly cycle into the port area to look at the ships. "I was fascinated to know where these vessels came from, where they were going to and what cargo they had on board," she said. The start of her employment with George Bell (Chartering) in 1974 happily coincided with the establishment of the Ireland Branch of the Institute. "I quickly realised I would like to learn more about the industry and so began my journey with the Institute."

Hilary qualified as a member in 1979 and was awarded fellowship in 1982.

As well as long periods serving on the Ireland Branch Committee, Hilary also served on the International Membership Committee from 2006 to 2008 and from 2013 to 2018 was a member of the Education and Training Committee.

Commenting on the award, Hilary said: "Having already been presented with the Shipbroker's Medal, I am extremely humbled and honoured to receive this life membership. Being the first ever female in Ireland to receive this award, it is enormously satisfying to be recognised by my colleagues in the industry and I would like to thank them all for their support."

Hilary added that she believes the Institute should continue to offer honorary fellowships to those who have made significant and meaningful contributions to the Institute. "It is a way of recognising their accomplishments and hopefully keeping them actively involved with the Institute. Too many members fail to continue with their membership when they retire and their vast knowledge and experience is lost to the industry." Hilary intends to buck that trend and aims to continue to contribute to the Institute in "whatever way I can".

Hilary can be contacted on hilary.park63@gmail.com.

We congratulate and welcome the following who were recently elected to Membership:

ELECTED TO MEMBERSHIP

Deyan Pavlov	Bulgaria
Chan Yin Ting	Canada
Alexandra Grigorascenco	Cyprus
Ramona Lavkinaite	Cyprus
Philippos Ioulianou	Cyprus
Marina Kouloundi	Cyprus
Elena Lamprou	Cyprus
Zina Constantinou	Cyprus
Mehmet S Demir	Denmark
Nicholas McKenna	Germany
Eleftheria Theodorou	Greece
Cheysamthi Papdopoulou	Greece
Despoina Kyritsi	Greece
Eleni Mostratou	Greece
Athanasios Thanos Giannakopoulos	Greece
Charalampia Antoniou	Greece
Sotirios Papathanasopoulos	Greece
Rafaela Tyri	Greece
Kleopatra Vassalou	Greece
Nikolaos Alexandros Synodinos	Greece
Evdokia Stratigaki	Greece
Ioanna Ventouri	Greece
Loukia Michail	Greece
Alkiviadis Polychronakis	Greece
Athanasia Sotiropoulou	Greece
Eleni Malamaki	Greece
Vasileios Klis	Greece
Panagiotis T Dimakopoulos	Greece
Georgia Chatzi	Greece
Pinelopi Dimopoulou	Greece
Anastasia-Eirini Kokkini	Greece
Georgios Koutsouridis	Greece
Evangelia Lytra	Greece
Konstantina-Marina Brouzou	Greece
Anastasia Kalyvioti	Greece
Panagiotis Efstathiou	Greece
Artem Galkin	Head Office
Syed Ahmad Fathi Syed Mohd Khair	Head Office
Oleksiy Naydonov	Head Office
Victoria Zorya	Head Office
Wei Loon Tan	Head Office
Sercan Kacar	Head Office
Mohamad Haiqal Mohamad Saad	Head Office
Andrey Golischenko	Head Office
Erik Gilles Vincent Lazaro	Head Office
Yi Wang	Head Office
Chiu Shung King	Hong Kong
Deepak Singh	Hong Kong
Sze Man Cheung	Hong Kong
Yiqiong Zhou	Hong Kong
Simon Cleary	Ireland
Abbie Mcguffie	Liverpool
Esin Mehmed	Liverpool
Matthew Chesterfield	London
Alexander Przyjemski	London
Zoe Kent	London
Edward Clark	London
Shannon Solomon	Middle East
Shahzad Hameed	Middle East
Sajan Abraham	Middle East
Priya Ranjan	Mumbai
Karthik Ayyar	Mumbai
Punit Rawat	Singapore
Jann Tan	Singapore
Anant Bahl	Singapore
Sanju Joseph	Singapore
Regina Dhliwayo	South Africa
Romesh Damian Silva	Sri Lanka
M.N Ruwini Perera	Sri Lanka
JM Buddhika SB Jayaweera	Sri Lanka
Chinthaka Prasanna Singhaarachchi	Sri Lanka
Uchitha J Wickramaarachchi	Sri Lanka
Rhodalyn Djanitey	West Africa

Re-elected to membership:

Michael Greer	Australia/New Zealand
Georgi Sivkov	Bulgaria
Thushara Abeywickrema	Middle East
Dinesh Nair	Middle East
Gregory Fernandes	Middle East
Sachin Pitre	Middle East
Shaji Mathew	Middle East
Khurshid Khalid	Pakistan
Hameed Mehboob	Pakistan
Ali Asghar Khan	Pakistan
Nikhil Modak	Singapore
Manoj Rappal Varrier	Singapore
Vinod Dubey	Singapore
Deepak Joshi	Singapore
Koh Alice Eliza	Singapore
John Komla Dzide Agbenoheui	West Africa
Robert Lamptey Tetteh	West Africa

Promoted to fellowship:

Alexandr Bulygin	Canada
Andrii Bondarenko	Canada
Ivan Rodnov	Cyprus
Nikolaos Triantafylloy Giavridis	Greece
Michael Nirengarten	Head Office
Yegor Rogovenko	Head Office
Angad Banga	Hong Kong
Bhoumick Sanghvi	Hong Kong
Sean Bate	London
Nicholas J Price	London
Carmen Khouri	London
Syed Naizer Alaudeen	Middle East
Capt Karamat Ali	Pakistan
Louis Daniel Stewart Kinsey	Scotland
Shane De Alwis	Sri Lanka

Re-elected to fellowship:

Rhys Powell	Australia/New Zealand
Captain Suhas Ahire	Canada
Yue Hon Tang	Singapore
Gibson Keteku	West Africa

Life member:

Amelie Oetker	Germany

Bye law 50:

Vikrant S Bhatia	Hong Kong
David Wu	Singapore

Maintaining relevance of membership values

Richard Brook-Hart provides an update of the work programme of the Membership Committee

Richard Brook-Hart

Ten years ago, when I attended a Controlling Council meeting in Durham, we had a workshop where the delegates were asked to list the benefits of being a member of the Institute. At the top of the substantial list on the white board was the word "Networking' – and there was unanimous agreement of that ranking. The word implied that members derived an advantage from meeting and doing business with other members.

In my own shore-going career I believe that the ability to interact with other members was probably the greatest benefit that I enjoyed. Becoming a member enabled me to secure gainful employment through the connections I was able to make. Later, when I started my own company, we were able to link up with many members in Africa and from all over the world. The knowledge that we were doing business with people that we knew we could trust and that they in turn trusted us was fundamental to our success.

Ten years later, the same fundamentals apply. Membership of the Institute conveys professionalism, sound ethics and confidence in the people that you work and interact with. It is difficult now to have physical meetings with the Covid-19 lockdown, and consequently the Institute's Membership Committee has only had virtual meetings for the past two years. This may be the 'new norm', but many of us will miss the opportunity to share ideas informally at the bar afterwards and generally brainstorm.

All of us have had to adapt to the change, but this has not precluded the Committee from progressing with many new ideas and actions. Our prime directive is to grow membership numbers and the Committee sets out to achieve this by identifying the benefits that can be offered.

This year the composition of the Committee has had a number of changes, and I would like to take this opportunity to thank the past members of the Committee for their sterling efforts and the new ones for volunteering their time to continue and progress with the good work already done.

The following is a selection of the ideas and projects that we have recently worked on and brought to fruition.

First, the amnesty process and rules for lapsed members were completed and offered for our Royal Charter Centenary year. The last time an amnesty was offered was in 2003. The Committee felt that with the effects of Covid-19, some members may be struggling financially.

"Our prime directive is to grow membership numbers and the Committee sets out to achieve this by identifying the benefits that can be offered"

Second a mentor/mentee scheme was presented and accepted and third, the Institute's Bursary policy has been circulated. This includes the bursaries offered by the South Africa Branch Education Trust.

Fourth, the Committee has worked on branch twinning, regional co-operation and the creation of more chapters within branches. Fifth, in recognition of the Royal Charter centenary, lapel pins were designed and distributed with the membership cards for those members who had paid by September 30.

Committee work

Sixth, the Committee facilitated an exclusive interview with the new chair of BIMCO in Shipping Network. Seven, membership retention initiatives were updated, and this included running global webinars for members and students. These have proved very successful in the Middle East, and the objective is to expand these to all members and students. The Committee feels that this will be especially important to the circa 450 non-branch members. Born out of Covid-19, another membership retention idea is to offer students virtual internships – this is being run successfully in the US. This could be incorporated in the Institute's online academy. With two non-branch members now on the committee, we are working on ideas to engage all the non-branch members and make them feel part of the Institute.

Eight, the Committee has supported the new development branch in Turkey which is progressing well. The Branch has proposed that it sends an observer to the next meeting of Controlling Council, a proposal fully supported by the Committee, as this helps new branches understand the modus operandi.

Nine, much work has been done on Continuous Professional Development by Dena Rantz FICS, a member of the Committee. It is hoped that a program of courses and seminars will eventually become available online.

Ten, we are encouraging Branches to create their own Corporate Supporter Schemes, in line with the highly successful scheme run in South Africa.

Lastly, we are encouraging Branches to recruit and invite their own Branch Associates. These are not members, but senior persons in the shipping industry that support their local branch. Again, this model has been highly successful in South Africa.

In closing, the Membership Committee would like to put on record its thanks to Julie Lithgow for her invaluable contribution during her tenure as director of the Institute, and to welcome Gertrude Adwoa Ohene-Asienim FICS, who took over as chair of the Membership Committee at Controlling Council this year. SN

Richard Brook-Hart FICS is the immediate past chairman of the Institute's Membership Committee.

Branches urged to considered trust model

Following two years of losses, in 2011 the South Africa Branch made an extraordinary profit. The incoming committee who represented the demographics of our local members and students came up with some innovative thinking, *writes Richard Brook-Hart*. They approached government departments and senior captains of the shipping industry which resulted in a record number of courses being sold. That year over 300 students signed up for the Understanding Shipping Course, over 100 non-members joined as associates of the Branch, and over one hundred companies became Branch supporters. By the end of the year, the South Africa Branch had contributed a record 60% of all revenue from overseas branches to the Institute.

After the remittance of students and membership fees to London, the Branch retained over Rand2m (approximately £160,000) in its bank account. The committee deliberated on how to invest the proceeds and in 2012 decided to place Rand1m in a Trust specifically created to assist disadvantaged students in southern Africa. The funds were placed in a high interest account and attorneys drew up a Deed of Trust that ring-fenced the monies.

Submissions were then invited from individuals including final year students to apply for bursaries and allow them to invest in their careers. The four trustees, who consisted of three senior fellows of the Institute and the Branch chair, vetted the applications.

The South Africa Branch is a supporter of the trust fund model

Since the formation of the South Africa Education Trust dozens of bursaries have been awarded. This has enabled many students who could not otherwise afford to become qualified and find work in the shipping industry.

The fees for all the courses paid from the Trust have given the Institute additional revenues, that it may otherwise have never received. Furthermore, through wise investment, the South Africa Education Trust funds have grown considerably in the past eight years.

Everyone wins – the students, the shipping industry, the Branch, the Institute and the Trust! The trustees urge other branches, who may have surplus funds to think along similar lines. ***SN***

Successful seven-day online course

The 2020 Institute Classical Shipping Development Program was hosted in August with 24 candidates from 15 companies attending, including from COSCO Shipping, G2 Ocean, BW Group, Xiamen C&D, GreatKun (Shanghai) Supply Chain and Shandong Shipping Tanker.

All who attended completed the programme and were awarded a certificate, jointly issued by the Institute and the Professional Qualification Authority of the Ministry of Transport, People's Republic of China.

Institute chair Susan Oatway spoke at the event for the fifth time and covered topics around shipping business and dry cargo chartering. Dr Fan Wei, vice president of Skuld, spoke about charterparties and damages, insurance, law and unsafe port. Shipping experts Ji Wen Yuan, chair of Seamaster, and Rita Lau, vice president and head of Skuld Hong Kong, shared their experience with attendees.

This year's program was conducted online and offline, with tutors and experts giving lectures and interacting with students through an online platform followed by an onsite award ceremony and drinks' reception. ***SN***

Students proudly display their awards

New chair for North East of England Branch

The North East of England Branch held its annual meeting in September virtually due to Covid-19 restrictions not allowing face to face meetings.

At the meeting, Nikki Sayer finished her two years as chair and Gillian Clark was elected in her place. Nikki has worked extremely hard to raise the profile of the Branch and has overseen the opening of The North East School of Shipping, providing students with weekly meetings at Stockton Riverside College with a tutor and guest lecturers. She now hopes to promote a course on Understanding Shipping to take place at the same college.

Gillian Clark

Members congratulated Gillian on her appointment as chair – she has been a committee member for several years and was vice chair last year.

She will be supported by a full committee of ten Branch members to enable the Branch to move forward in these difficult times. ***SN***



West Africa launches 10th anniversary celebrations

The close of the West Africa Branch's 3rd AGM in Tema marked the formal launch of its 10th anniversary celebrations under the theme 'Standardisation of shipping practices, the role of education and training'. The AGM was well attended by fellows, members and students from Nigeria, Cameroon, Sierra Leone, Gabon and Ghana.

In her welcome address, the immediate past chair of the Branch, Gertrude Adwoa Ohene-Asienim FICS, said the theme was carefully chosen to be in line the Branch's objective of promoting professionalism in shipping.

"To this end, what we sought to achieve was to foster closer collaboration between the Institute, governmental agencies, and the shipping community," she said. "We managed to get bigger platforms to provide education and training support to institutions and companies mainly on voluntary services. We have forged closer collaboration between the Institute and the Ghana Shippers Authority, the National Insurance Commission, Ghana Maritime Authority and the Regional Maritime University."

Gertrude added that the Branch is ready to roll out the Understanding Shipping course online, making it accessible to workers and students who want to better understand shipping. "We have submitted the draft of (the region specific) Chapter 9 to Head Office and have received feedback on it. We will work hard to finish the chapter and get the course rolled out by January 2021," she said. The successful rollout of this course will change the face of shipping knowledge in West Africa with practical examples from the region that will give a better understanding of shipping to players within the industry.

"The Institute embarked on ambitious projects … to bring shipping closer to our community. We are seriously raising funds for the Maritime Library project to be built at the Regional Maritime University. The architectural design for the project is ready and we would like to thank the Head Office in London, the Education Trust Fund and all companies who have donated locally for their support," Gertrude said.

In addressing the AGM as the special guest of honour, international chair Susan Oatway FICS noted that the role of education and training is paramount. "To be able to teach the future leaders of our industry is an honour and a privilege," she said. "To ensure that they have the skills needed to take our sector into the future is a huge responsibility, and one that the Institute does not take lightly.

"The Institute is delighted to have such an effective branch in West Africa, with established headquarters in Ghana and an active chapter in Nigeria, supporting members and students throughout the region. It serves an important purpose as a force for professional standards, working closely with government, and has formed strong bonds with institutions including the Regional Maritime University," she said.

The guest presenter for the day was Krishnan Subramanian FICS, immediate past president of the Middle East Branch, who shared experiences from the 25-year journey of the Middle East Branch, sharing lessons that the West Africa Branch can learn from.

Meanwhile, Frank Tony Eshun FICS, newly elected chair for the West Africa Branch, reiterated the fact that education and training of indigenous West Africans will be an enabler for the region's future maritime industry.

"We will build on the solid foundation laid by the previous administrations to ensure that the added advantage of having an informed and trained local personnel is realised," he said.

Tami Adu FICS from Nigeria was elected as vice chair for the Branch.

Awards and citations were presented to the past director of the Institute, Julie Lithgow, for her dedication and support to the Institute and the Branch during her tenure as director. Other deserving fellows and student members were also awarded. *SN*

Positive reports at Middle East Branch AGM

The Middle East Branch held its annual meeting in September and celebrated the Branch's position as one of the most prominent professional organisations in the shipping and logistics industry in the region.

Tie-ups with the Alexandria Chamber of Shipping, Bahrain Shipping Agents Association, Dubai Shipping Agents Association, National Association of Freight and Logistics and ASYAD in Oman have expanded the reach of the Institute and its activities.

The AGM – held virtually – showcased the activities of the Branch to members and other stakeholders. Branch president Krishna Prasad opened the meeting, emphasising the challenges faced due to the Covid-19 restrictions and explained how the Branch had turned a terribly difficult situation into an advantage.

General secretary Ravi Shankar presented the Branch's annual report, which included seven networking events, 10 academic sessions, eight corporate trainings and an Awards Night. He explained that the lockdown prompted the launch of a new webinar series which has been extremely well received. With up to 600 participants from 30-40 countries at each, the webinars have become a standard fixture for shipping professionals.

Treasurer Ali Canani delivered the highlights of the financial report, reporting that the Branch has stabilised its financial position and that sponsors and supporters have stood by the Branch during these troubled times. *SN*

Open Day moves to virtual format

The Middle East Branch organised a virtual Open Day in August which was attended by 35 participants and tutors from the Branch.

During the session, questions related to bills of lading, incoterms and agency matters were answered. The event was moderated by Dinesh Lobo, committee member (education).

Speaking at the event, Ravi Shankar, general secretary of the Branch, explained the Institute's educational programs and guided the participants on the syllabus, examinations and registration process. Abu Bakr, tutor and a Branch prize winner, shared his experiences on preparing for the Institute examinations, while Krishna Prasad, Branch president, highlighted the importance of professionalism and education in building a successful career.

The session concluded with a question and answer session.

Meanwhile, the Middle East Branch has launched a Continuous Professional Development (CPD) series which kicked off in June with a presentation on ro-ro business by Suresh Sethuraman of GAC-Dubai. Through the CPD sessions, members with expertise and experience in various segments of the shipping industry share their knowledge with other members.

Mr Sethuraman, with his extensive experience in the business, explained the types of ro-ro ships, their specialities and the types of cargoes carried.

The second webinar in the CPD series was presented by Shoba Rao, general manager – RHS (cruise division) and a fellow of the Institute.

Ms Shoba gave an interesting presentation on the cruise industry, covering the various types of cruise ships, facilities and amenities onboard, types of services and the agent's challenges. In addition to members of the Middle East Branch, Norman Lopez and Karlie Cavanagh of the Australia and New Zealand Branch attended the session and actively participated in the discussions.

A webinar on 'Democratising ship finance by using blockchain technology' was held by the Branch in September. Sunil Arora, director of ShipFinex, based in London, explained the constraints of traditional ship finance and IPOs. He also introduced the concept of using digital technology in ship finance.

Capt Vikas Pandey, director of Signy Advance Technologies based in India, then explained blockchain and the flexibility it provides. Capt Pandey also explained how blockchain can be applied in the digitisation of ship finance. Tony Dagher, a Dubai-based shipowner, narrated the difficulties in raising funds for ship finance and gave his vision of a digitised ship finance model.

A total of 292 participants from 30 countries registered for the event.

Finally, a webinar catchily-entitled 'Orange juice, truth, lies and LOIs' was held in October. In commercial shipping, Letters of Indemnity are always a tough call and practitioners face the dilemma of whether to use one or not. Capt Lopez delivered the presentation, explaining the concepts involved in Letter of Indemnities, blending that with actual cases and judgments. The webinar was attended by about 140 participants. **SN**

Institute mourns shipping devotee

Former Institute president and International Maritime Organisation secretary-general emeritus William (Bill) O'Neil has sadly passed away, aged 93.

Mr O'Neil was president of the Institute from 2004 to 2006 and was the second longest serving secretary-general of the IMO. His successor, Kitack Lim wrote: "It is with great sadness that I have to inform you of the passing of William O'Neil, IMO secretary-general emeritus. Mr O'Neil passed away on October 29, 2020. I am sure that many of you still fondly remember Mr O'Neil, in particular as he remained a constant part of the IMO family even after the end of his tenure, actively participating in many IMO events and continuing to work tirelessly for the maritime community."

Mr Lim went on to say that Mr O'Neil was a "truly great" secretary-general whose actions and initiatives have had a great and lasting impact on the work of the UN organisation.

Richard Sayer FICS got to know Bill when serving as vice president under the presidency of Anthony Cooke from October 2002 to 2004. Richard recalls that Bill's retirement from the IMO at the end of 2003 after 13 years at the helm gave him what would normally be considered a welcome opportunity to take a break. "But Bill was not interested in that – he wanted, at the age of 76, to take on new challenges, to contribute to the maritime industry in whatever way he could," says Richard. "It was not difficult for Anthony and me to talk him into becoming president of the Institute, which he duly did in 2004." Richard then served as Bill's vice president, succeeding him as president in 2006.

Credit: IMO

William O'Neil was Institute president from 2004 to 2006

Richard added that Bill "put in a full stint – his energy putting us younger ones to shame – giving wise advice at Controlling Council meetings and speaking at Institute functions at home and abroad, including Posidonia in 2006". His interest in maritime education – he was for many years Chancellor of the World Maritime University – meant that his involvement with the Institute was as fulfilling for him as it was valuable for the Institute. **SN**

Calendar

Liverpool docks, UK

January events

27 January
Institute and Baltic Exchange online seminar "Dispute Resolution; Commercial Impact and Options"

February events

8 February
Institute Special General Meeting

25 February
November examination results announced

March events

4 March
Global Open Day

25 March
Liverpool Branch Annual Dinner
Liverpool Branch

31 March
Institute and Baltic Exchange online seminar "The Asset Play; Freight cycles and S&P markets"

The Secret Broker

Coping with Covid

The office across the street has been dark now for many months but I noticed yesterday that the furniture has now been stripped from it. I don't know what the busy team there did, but I wish them luck.

We are still soldiering on at the office. Lockdown suited some but others, myself included, need the team synergies to get real forward momentum. We monitor the healthcare metrics with one eye and dutifully record to the team if we have met a friend whose friend has met someone who might have the symptoms but has not yet tested positive. We are careful at work and everything is beginning to smell faintly of hand sanitiser, but there is a feeling of inevitability that someone will test positive in the office and we will all have to return to our burrows at home.

We shouldn't complain. We have demonstrated that we can work from home. And we can get home – which is more than a lot of crew have managed in the last few months. For sale and purchase brokers a real challenge has been the repatriation of crew in a Covid-19 world. I have just delivered a bulk carrier some four weeks after the notice of readiness had been given. Permissions, authorisations, exemptions were torn up and discarded as suddenly and irregularly as the wind changed.

The seller, my client, was ultimately philosophical and accepted the delays as part and parcel of the cost of doing business during a pandemic. I applaud his sangfroid, in the face of what at times felt like wilful obstruction on the part of a legion of bureaucrats.

And the poor crews – lest we forget it is their efforts that all our careers depend on. And yet seemingly it is beyond the wit of man to agree protocols that allow crew, isolated to a degree that is almost impossible to replicate on land, to be transferred safely to an airport and flown home.

A client of mine related the pitiful story of one of his long-serving officers who died on board. The vessel was diverted to a series of ports where permission to land and repatriate the body to the grieving family was denied. They got him home eventually, but not before they and the family had briefly contemplated a burial at sea.

In review, a lot of the Covid-19 clauses, hastily agreed in Memorandums of Agreement at the start of the pandemic look distinctly leaky. Luckily, most buyers and sellers seem to have remained willing participants, and we have had more time to think through what both sides can reasonably expect when they get to delivery. It has helped that the markets have been relatively stable in the face of the new unknown normal.

Bulk carriers have done particularly well, driven by a Chinese stimulus package focussed on heavy infrastructural investment. In the UK, on the other hand, most of the government stimulus has been spent in encouraging us all to go out and eat pizzas, which has had limited benefits to shipping and probably done a degree of damage to the national health. SN

the stern

Uber takes to the water

Uber has added a water service to its portfolio

Not content with road domination, international 'ride-hailing' company Uber has put on its water wings to offer services along the River Thames in London.

In partnership with Thames Clippers, the first vessel set sail in August, one of 20 passenger vessels making journeys from 23 piers across London from Putney in the west to Woolwich Royal Arsenal in the east.

As with its road service, the water service will be available to book on the Uber app.

Speaking at the launch, Jamie Heywood, regional general manager for Northern and Eastern Europe, Uber, said: "As Londoners begin to head back to work and safely move across the city, they will now be able to travel on both the river and road through the Uber app. We must ensure that everyone does not return to their cars in response to the crisis, so our vision is to end private car ownership in favour of shared, electric vehicles, as well as making greater use of the river network for urban mobility."

More than 4.3 million people use the River Thames for commuting and leisure trips each year on the Thames Clippers network. ***SN***

New take on finance

Finance is proving as difficult to source as toilet rolls in a pandemic, but one London-based alternative finance digital platform thinks it has found a solution.

Its newly-launched platform offers fractional ownership of ships through "asset-backed meta units" tradeable on a fully regulated exchange, an offering which it believes will create a secondary market for investors. The platform will focus on creating a sustainable fleet via the purchase and upgrade of modern vessels, in line with the Poseidon Principles for sustainability.

Creator of the platform Infinity Maritime has partnered with VALK to run the platform on Corda, an enterprise grade blockchain platform developed by R3. VALK is a London and Zurich based financial technology company that has developed an end-to-end digital solution for private markets that can be used by investment banks, asset managers and fund managers that want to digitise their processes and assets.

Andrew Graham, chairman of Infinity Maritime, said: "Now is the right time to try and launch the first digitised finance proposition for the maritime industry. The concept is now much better understood, and access to finance in the maritime sector has become much harder to secure.

"In recent years the sector has seen a dramatic reduction in the number of banks offering ship finance, prompting a real need for a new financing approach. We believe a sustainable focus is now an imperative for the sector to thrive and Infinity can help deliver this with meta unit financed fleets."

Get it while it's hot. ***SN***

Shipping Speak

"Based on current forecasts, by late 2021 the first generation of cargo-carrying autonomous ships will be operating within the territorial waters of some countries... technology is developing rapidly and what was once thought of as science fiction is now well within our grasp."

BIMCO's Grant Hunter, announcing that work has started on an AUTOSHIPMAN contract in preparation for the arrival of autonomous ships

"Diversity, equality and inclusiveness are key in providing a sustainable future for the global maritime industry and our company."

Karin Orsel, vice chairman of the International Chamber of Shipping and chief executive of MF Shipping Group, speaking on the launch of the International Chamber of Shipping's inaugural diversity report

Institute of Chartered Shipbrokers

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