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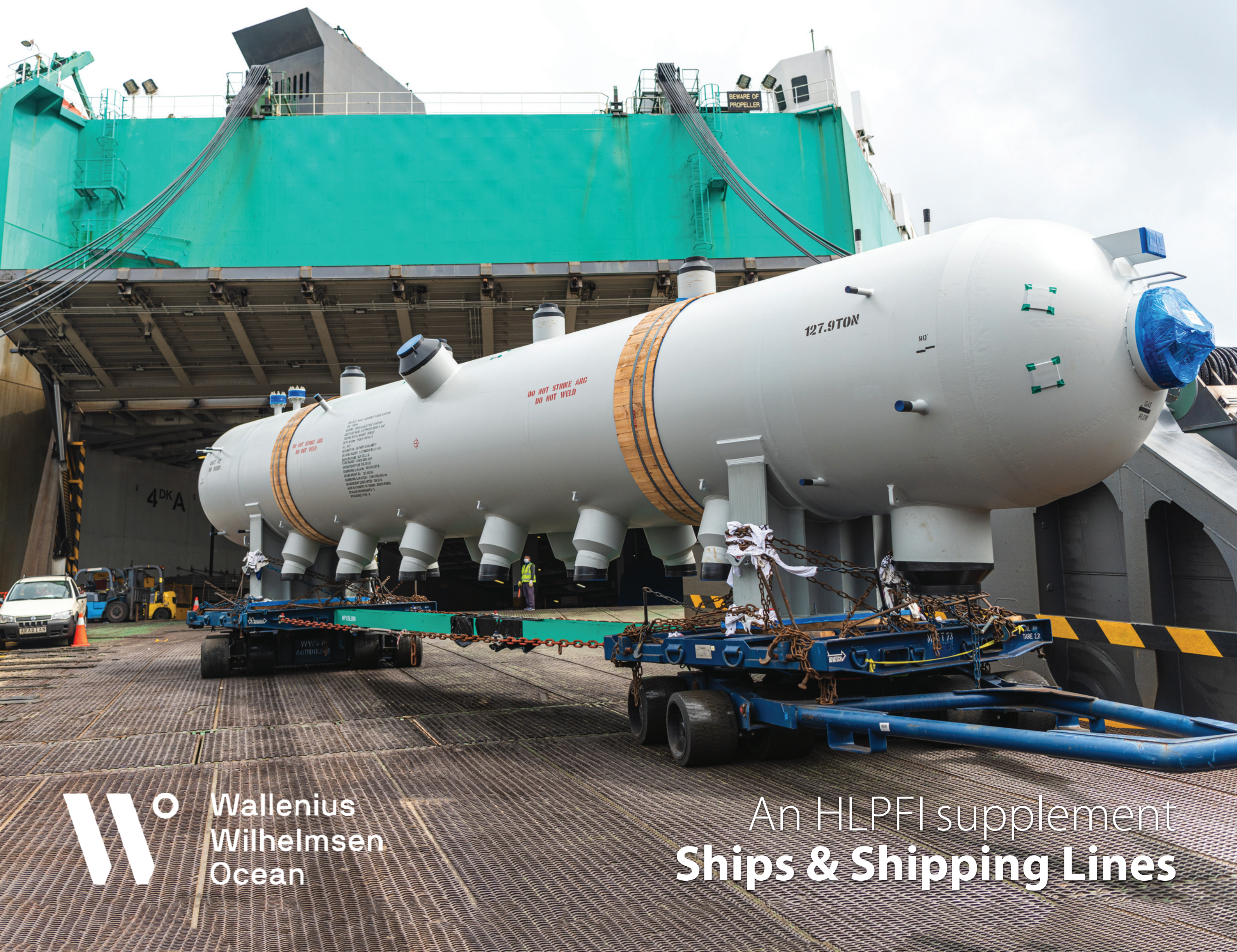
Keeping cool as the pressure rises



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Keeping cool as the pressure rises

The Covid-19 pandemic has turned international shipping markets on their heads over the past 12 months. Multipurpose shipowners/operators have faced ten years of economic hardship, unsustainable rates, a lack of capital to invest in new tonnage, and rival sectors syphoning-off general cargoes in a bid to address their own issues. Many investors kept their distance from multipurpose in that time, and those that did commit new capital to the sector often took a scalding.

Owners of multipurpose tonnage, today, find themselves in a promising yet precarious position. Demand for container shipping services has hit astronomical highs and bulkers too have seen rates surge as much as 100 percent since January 2020. General and project cargoes targeted by these sectors are reportedly less of a priority at present – the returns for their core cargoes are more than above adequate – and general cargoes are returning to the holds and decks of the multipurpose fleet.

Multipurpose owners also find themselves in the quite luxurious position of being courted by container lines desperate for any available tonnage to move their boxes. Port disruption around the world, meanwhile, is wrecking productivity for all vessel-type operators, putting more upward pressure on rates.

The multipurpose sale and purchase market has gone from a baron landscape to a very interesting place over the first quarter of 2021. Operators needing to secure tonnage of their own at what could be deemed reasonable rates are finding the going tough.

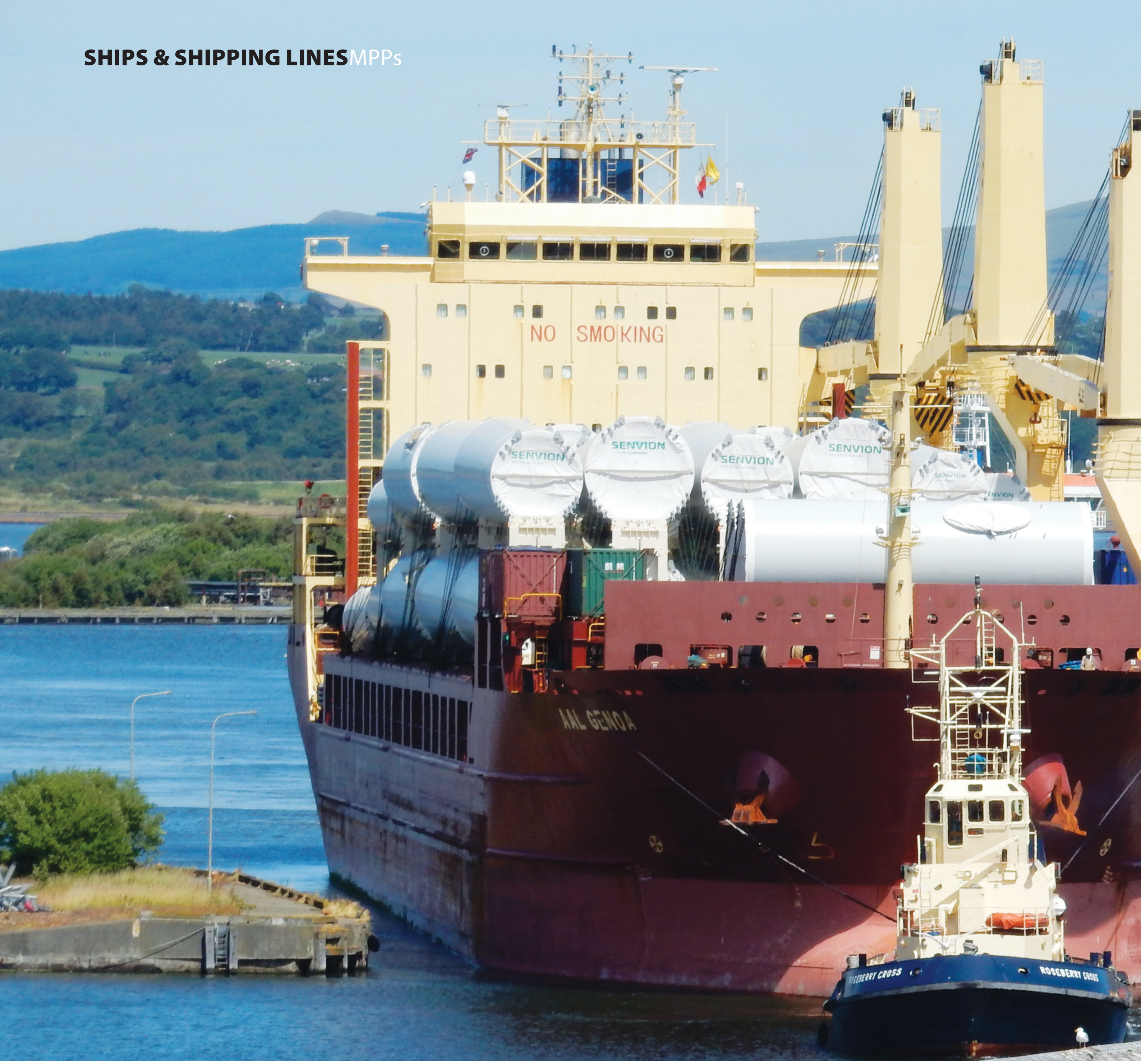
Most of the current joy multipurpose operators are benefiting from is a direct result of volatility on the supply side of the equation. But, the longer-term prospects are also increasingly exciting on the demand front. Wind energy shipments, the backbone of the multipurpose sector for five years, continued to grow throughout the pandemic and show no signs of slowing.

Oil and gas cargoes, once the icing on the cake for multipurpose operators, have been near non-existent in that time. That looks set to change – baseload energy requirements cannot be met entirely by renewables yet, and oil prices have stabilised to a level that is encouraging capital investments. Cargo volumes look like they are going to increase in 18-24 months' time.

Mix into this recipe an ageing, contracting multipurpose fleet and banks with clear decks, and the stage looks set for more volatility. With pressure mounting and the market heating up, cool heads are required.

David Kershaw,
Editor

The front cover photograph shows a 147-tonne high-pressure steam drum being loaded onto Wallenius Wilhelmsen Ocean's Salome in Masan, Korea for transport to Baltimore, USA. The drum was loaded using a purpose-built equipment solution called Samson-Light that gently rolls the drums on and off the vessel. WW Ocean's RoRo vessels are able to accommodate cargo weighing up to 400 tons, 12 m wide and 6.1 m high.



A fluid landscape

After years of struggling for business, multipurpose vessels are suddenly in big demand. Owners and brokers are having to assess whether this is a short-term phenomenon, or whether to invest in new tonnage. *David Kershaw* reports.

One World Shipbrokers, based out of Hamburg, was launched in January 2021 by Justin Archard and Simon Guthrie to offer specialist shipbroking and consultancy services to the breakbulk, heavy lift and project cargo sectors.

Commenting on his company's early months, Archard said:"Coming into the market you could have been forgiven for expecting that we would be sitting looking at a pool of ships and trying our best to find cargoes to put on them. Right now we are overburdened with cargoes and it is really challenging finding available ships for them."

The sudden rise in demand for all types of multipurpose (MPP) tonnage has certainly kicked the ball into the owners' court. "The sale and purchase market has gone into a very difficult place at the moment. Deals that might have been under construction for some

AAL moved aggressively to bring the additional G-class vessels into its roster as part of its core fleet.

Richard Platts

time are suddenly falling by the wayside as owners re-evaluate the value of vessels that six months ago might not have sold to anybody at any price and suddenly are now attractive to everyone," he explained.

Painful experience

"As the market is now, if you are an operator in the position of having to renegotiate time charters with the owners, that is becoming an increasingly painful experience." Archard does not expect multipurpose owners to take a sanguine view when it comes to contract negotiations, having spent the last ten years in a state of shock.

The present situation can mostly be attributed to volatility in other sectors. The container and bulk cargo shipping sectors are experiencing a boom with freight indices hitting highs unthinkable 12 months ago. The Freightos Baltic Index (FBX): Global Container Freight Index stood at USD4,375 at the end of April 2021 – nearly USD3,000 higher than one year ago. The handysize bulk index is another that *HLPFI* tracks. When the smallest bulkers are fully loaded, they are less likely to attract project business and parcels that were once the preserve of the multipurpose fleet. The handysize index is trading at a ten-year high.

According to Kyriacos Panayides, managing director at heavy lift carrier AAL Shipping, cargoes are moving back to multipurpose ships from container vessels, with increased utilisation supporting freight rates and better margins. However, he said: "It is the congestion element causing low productivity in ports, which puts pressure on the supply of ships. That is driving the market a little bit now."

AAL Shipping completed its fleet renewal programme six years ago and operates what has grown to be known as mega-multipurpose vessels with strong cranes and large intakes. In March 2021, it took delivery of two additional G-class units – AAL Gibraltar and AAL Gladstone.

The vessels boast a total cargo intake of 35,705 cu m, four large cargo holds, three tweendecks and a maximum lifting capacity of 240 tonnes. They will join two sisterships already in AAL's fleet and recently acquired by the carrier – AAL Genoa and AAL Galveston – adding much needed volume to the fleet.

"We had this expansion plan in place since November and we looked into the available third-party charter market. We know that there are not too many ships that fit our profile and meet our standards in various areas in terms of the ship's condition, the crewing aspect, gear, features and the owners/management attached to that ship.

"The mega-size MPPs are only few, and at the same time that we were out in the market seeking tonnage, we had the container guys also bidding for the same vessels. They went aggressively, which spoiled the owners and as a direct consequence they were asking for extremely high charter rates, hence we came across few options."

He said that AAL moved aggressively to bring the additional G-class vessels into its roster as part of its core fleet. "It is good and bad news. Good in that there is not much supply on that side of the fleet. But when you want them, you cannot have them. It is a double-edged sword." He added that the carrier's fleet is fully booked for the next two months.

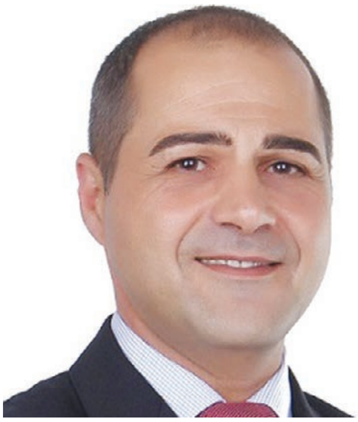
More enquiries

Ulrich Ulrichs, managing director at BBC Chartering, also shared promising news. "We are seeing more enquiries coming in, including for projects that had been mothballed in the past few years. We therefore expect demand to further increase during this year. In 2022 it should stabilise at a higher level than previous years."

The volatility in container and bulk trades has been beneficial, but the benefit will not be felt forever. "We are seeing cargoes from both sectors being carried by the MPP fleet. Bulk rates have increased, and we also charter out space to shippers' own containers (SOC) on a regular basis. Especially with regard to the container business, this is largely an opportunistic

Right now we are overburdened with cargoes and it is really challenging finding available ships for them.

– Justin Archard, One World Shipbrokers



It is the congestion element causing low productivity in ports, that puts pressure on the supply of ships.

– Kyriacos Panayides, AAL Shipping

scenario; as soon as container carriers get back into 'normal mode' this will disappear again. It is not something we are calculating for on a long-term basis, nor do we target this business," Ulrichs explained.

Archard shared a similar view. "Right now, the supply demand curve has completely inverted. What I think people are struggling to understand is whether or not what we are seeing is a bubble that is being driven by developments in the container sector, which has been appropriating multipurpose tonnage.

"My reading of the market is that the underlying fundamentals are stronger now than they were before and we see gradient improvement on the underlying multipurpose demand side. I think that is continuing irrespective of what we are seeing above the line at the moment.

"What is apparent above the line in the container market is a flash peak and in a few months' time – I do not know how long it is going to be – this peak is likely to come down to meet the gradient growth [in the multipurpose sector] at some point."

One thing is for certain – breakbulk and heavy cargo handling is a manual, labour-intensive business. And, while vaccine programmes roll out internationally, there will continue to be port disruption. Research from the Economist Intelligence Unit suggests that developing nations could take up to four years to vaccinate their populations. While few expect the troubles affecting ports to last that long (as many countries will roll out vaccines much faster and take measures to inoculate those active in the supply chain), it is fair to surmise that present disruption will not dissipate in the next three or four months.

While populations remain locked down there will be elevated demand for household goods, most of which are manufactured in the Far East and shipped internationally. As markets reopen, demand for all commodity types should rise – many of which are already trading at multi-year highs. Volatility across all shipping modes will be a common feature of the market for the foreseeable future.

Ongoing disruption

For Ulrichs and BBC Chartering, the present strategy is to "roll with the punches. Many ports remain congested, productivity is affected and crew changes are still a huge problem for many owners due to Covid-19 restrictions. We can only try to tackle all these issues by constant and close communication with all our clients, vessel owners and all other service providers."

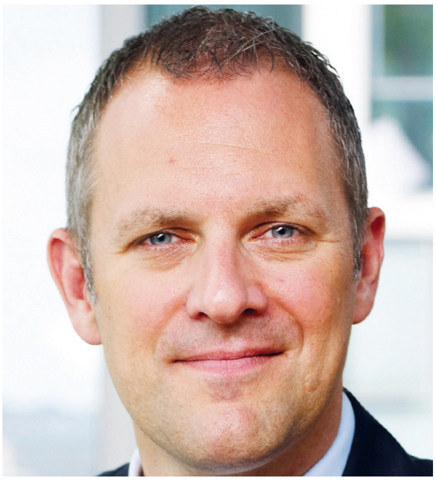
Longer term, the prospects for the

BBC Chartering has taken some opportunities to pick up additional vessels.

multipurpose sector appear better than at any point in the past decade. Wind energy pushed on through 2020 mostly unaffected by Covid-19 and volumes are ramping up further this year. Oil and gas cargoes also look set to return after a long hiatus.

Panayides said: "This is the new normal now and it will last for a while. At least freight rates will remain at these levels and then if we combine that with additional demand from the project industry, we will be looking into a really nice long-term landscape.

"There is the appetite for capital expenditure from oil and gas. We are tracking the projects and we see that 10 or 15



Many ports remain congested, productivity is affected and crew changes are still a huge problem for many owners due to Covid-19 restrictions.

– Ulrich Ulrichs, BBC Chartering

have been announced in recent months, both upstream and midstream, and there are quite a number of petrochemical plants coming up. This goes across the board – China, Southeast Asia, Mexico, a couple in the USA, and Africa. That will create an additional demand that can be captured."

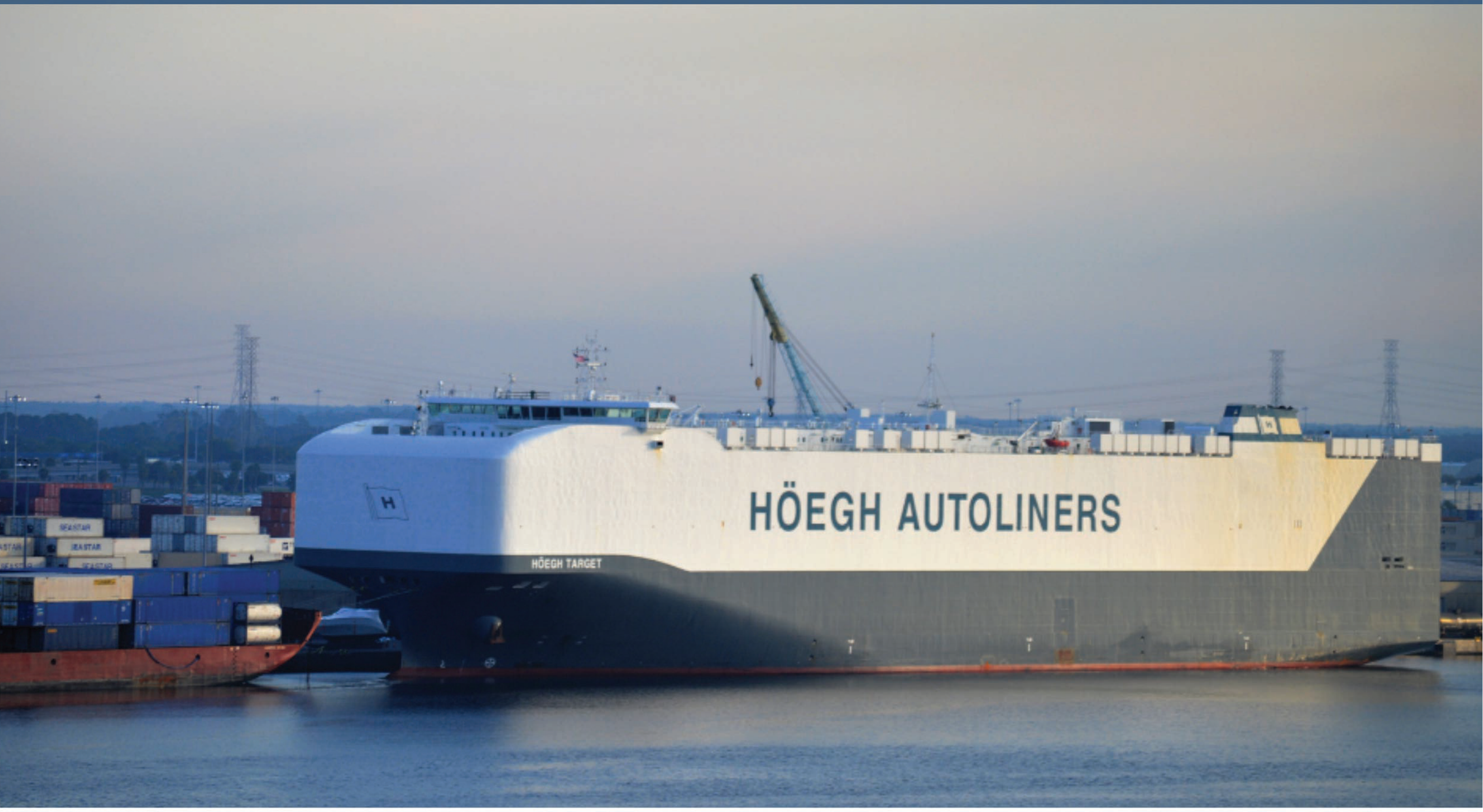
Dynamic situation

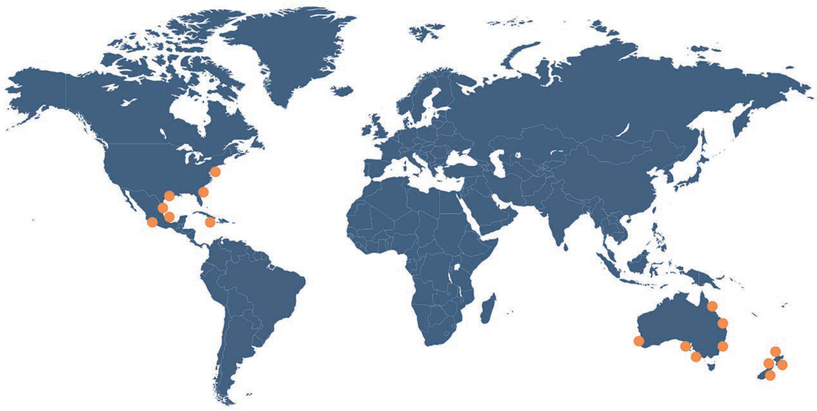
According to Lars Feller, global vice president at dship Carriers, wind energy cargoes are presently pushing the existing oil and gas cargoes to higher rates. "It is a very dynamic situation at the moment. Keeping the balance now is important – if you only carry wind, you lose all the other customers."

The situation could become more acute in the months ahead, with an expected uptick in oil and gas project cargoes forecast. "If all the majors still require space and some of the bigger projects kick in, in combination with wind energy and the spillover from containers, that would make the situation regarding available space even more severe," said Feller. "We also see that some shippers are holding back from moving their cargoes because of how the market is right now. This cargo is also piling up. We have come to the conclusion that the market will remain stable until the end of the year and beyond."

This brings us on to the elephant in the room – hardware. Drewry said that the multipurpose fleet has an average age of 23 years, and the heavy lift fleet stands at roughly 13 years old. The sector has struggled with overtonnage owing to over-investment during the 2000s. However, with baseline cargo demand and vessel supply expected to converge in the next 18-24 months, ships will be needed to meet the demands of the market. HLPFI

INCREASED FREQUENCY FROM US TO OCEANIA





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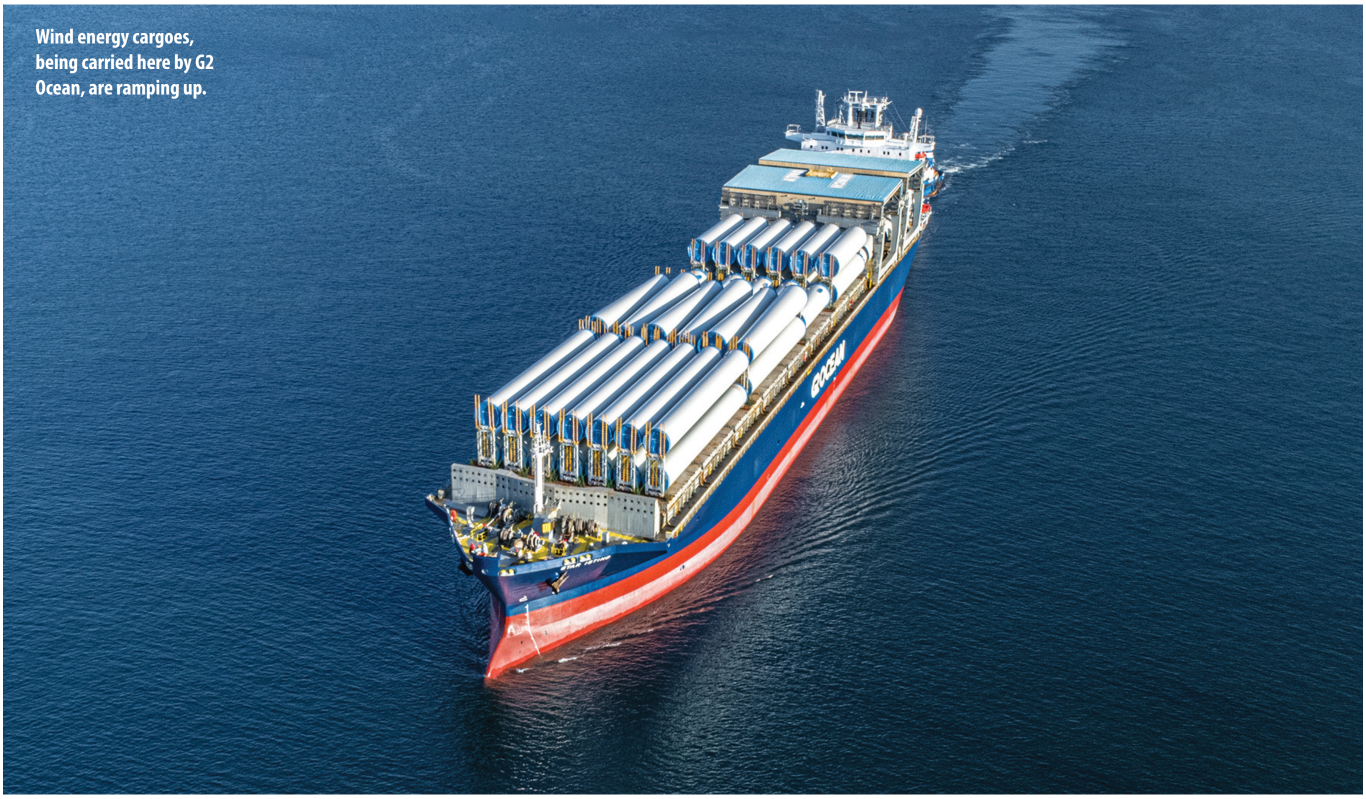


Wind energy cargoes, being carried here by G2 Ocean, are ramping up.

Preparing for the long term

Fleet renewal and expansion is required. A dearth of existing tonnage is frustrating operators as demand surges and limited ordering activity in recent years means there will be no quick fix. Any investments needs to be considered against a backdrop of stringent environmental measures. *David Kershaw* reports.

Potential investors might want to think twice about investing in new multipurpose tonnage, given that many are still nursing a burnt digit or two resulting from cavalier decisions made during the 2000s.

However, shipping banks are sitting with clear decks and some believe that capital will come flooding back into the market. The question is will it be too much, too soon?

Justin Archard from One World Shipbrokers believes "the next big challenge [for the multipurpose sector] is either fleet renewal or fleet expansion. When owners are able to raise capital, be it on the debt side or the equity side, accessing yards at a price per unit that is going to be reasonable will be hard. There will be scrum in China between the container and bulk trades. The skillset for building multipurpose and heavy lift ships in China is still relatively thin on the ground." European yards, while available, are expensive.

Nevertheless, he expects lenders to plough cash back into the sector. "A lot of these banks have now managed to clear the decks. They have repaired their balance sheets to the point that they are not carrying legacy debt any longer.

"I would not say that banks have retreated and are licking their wounds; I think quite the reverse in fact. There is plenty of liquidity in the system and money always follows opportunity."

Newbuilding bets

He also believes owners will bet big on the sector's potential uptick. "I expect to see a slew of newbuilding orders within the next 12 months. I would not be surprised if that was all the major operators.

"One question is whether or not some of the pure operators are going to find that access to ships becomes much more difficult and then pivot into becoming owners themselves. Will they make that transition and be able to control their own destiny?"

Lars Feller, global vice president at dship Carriers, said it would take a cautious approach towards fleet additions. For the wider market, he believes the mistakes of 2005 still live in recent memory.

"I do not think we will see a similar situation soon because many people burned their fingers in the multipurpose market and suffered for the last ten years. Last time, we had the Lehman shock at the same time as a lot of ships were pumped into the market. This, we do not see at the moment. We will not see the same run on ships."
Nevertheless, he admitted that in any market, questionable decisions can sometimes be made.

"We want to follow our path of sustainable growth and we may miss an opportunity here and there by not purchasing a ship. But, also by doing this we want to miss big mistakes," he added. The "gold rush" feeling about the market is unsettling and not the right time to be making large investments. "It is a hot situation in the market; we will see how long it lasts. We are not forced to do anything right now, we can wait for the right opportunities... to run to the shipyards now and accept any price would be making the same mistake that has been made in the past."

Kyriacos Panayides, managing director at AAL Shipping, hopes that the mistakes brought about by speculative investors of the 2000s will not be repeated. "Banks and financiers are pretty cautious and they only go after opportunities where there is real solid structure. Hopefully they do not change their mindset. Shipping will remain a volatile market and its recent history will result in lower levels of fresh capital being injected," he said.

Carbon cut uncertainties

Uncertainty as to how stringent carbon emissions targets will be achieved without a switch to alternative fuels is ever present, and there is a lack of clarity – on both technological and regulatory levels – as to how this switch could be realised.

"This is a dilemma and the reason why we might not see that crazy orderbook," added Panayides. "There is no real concrete data now as to what the regulations will be in 2030. When you come up with a design and you want to place a newbuild, that ship is built for 20 years. Nobody knows what the regulations will be in 2035."

In April 2018, the IMO's greenhouse gas (GHG) reduction targets were adopted by the Marine Environment Protection Committee (MEPC). The aim is to reduce CO_2 emissions across international shipping by at least 40 percent by 2030, followed by 70 percent cuts by 2050 (compared with 2008 levels). It also committed "as soon as possible" to pursue a 50 percent reduction of all greenhouse gases by 2050.

> **I expect to see a slew of newbuilding orders within the next 12 months. I would not be surprised if that was all the major operators.**
>
> – Justin Archard, One World Shipbrokers

Shipowners have already been busy reviewing operational efficiencies such as voyage optimisation, technological advancements in ship design, and voyage speeds. Analysts argue that this is enough to achieve a 30 percent reduction in carbon intensity. Further reduction will need to be achieved through the use of alternative fuels with a lower carbon footprint.

The next stage of Engine Efficiency Design Index (EEDI) targets (30 percent) are scheduled to come into force from 2022. As a vessel is expected to have a lifespan of approximately 25 years, newbuilds entering the market will not only be expected to comply with greater efficiency requirements as per EEDI targets, but will also have to be able to use available alternative fuel options to meet IMO's GHG reduction goals. Most notable, however, are the IMO's plans to roll out rules on emissions standards for existing vessels, including its Energy Efficiency Existing Ship Index (EEXI) and a Carbon Intensity Indicator (CII).

The EEXI will be calculated for all commercial ships of 400 gross tonnes and above, while the CII rating will apply to vessels of 5,000 gross tonnes and higher, which are currently subject to existing MARPOL regulations. However, uncertainty remains, as it is still unclear whether heavy lift and multipurpose ships will fall under this regulatory umbrella.

Should multipurpose/heavy lift tonnage come under the remit of these regulations, it would certainly call into question the economic viability of the older tonnage. As a result, scrapping of older vessels should increase, with owners and operators taking on newer, more economical ships, or those equipped with scrubbers. Operators could charge a freight premium due to their green credentials.

Compliance questions

Ulrich Ulrichs, managing director at BBC Chartering, said: "We are measuring speed and consumption of all our vessels daily and have a dedicated team in place to keep a tight control. In general, we are not concerned, but certain future regulations are not clear yet, especially their implications on the multipurpose fleet. We are of course supportive, but it will lead to higher costs that have to be borne by our clients. The segment will also have to do some homework and set up systems that enable clients to measure the CO_2 footprint of the

Decarbonisation: the long-term options

A number of major shipping nations backed the maritime industry's proposal in March to establish a USD5 billion fund that can be used to accelerate the decarbonisation of shipping.

The programme – funded by mandatory contributions from shipping companies amounting to roughly USD2 per tonne of fuel consumed – would support an international maritime research and development board (IMRB) that would commission collaborative programmes for the research and development of zero-carbon technologies. This would include the development of working prototypes and assisting in CO_2 reduction projects in developing countries.

The proposal was submitted to the International Maritime Organization (IMO), with backing from all the major shipping associations alongside Georgia, Greece, Japan, Liberia, Malta, Nigeria, Singapore and Switzerland. The parties are pressing for all governments to approve the "moon-shot" proposal at an IMO meeting in London in November 2021.

The parties argue that since zero-carbon technologies that can be applied at scale to large oceangoing ships are not readily available, a significant acceleration of research and development needs to commence immediately under the supervision of the IMO.

Separately, during April, Lloyd's Register Maritime Decarbonisation Hub and the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping formed a new project with A.P. Moller-Maersk, MAN Energy Solutions, Mitsubishi Heavy Industries, NYK Line and Total to support shipping's transition to zero-carbon. Together, they aim to develop guidance around the safe use of ammonia as a fuel to support the shipping industry's drive towards a decarbonised future.

Ammonia as a fuel is heavily debated as a suitable long-term solution for maritime as the industry transitions towards a zero- or low carbon value chain. However, due to the extreme toxicity of the fuel, it is critical to address the safety issues of ammonia in order to mitigate risks to people, assets and the environment.

The overarching purpose of the project is to understand and guide the safe use of ammonia as a fuel onboard ships. Part of this will include developing a mature and detailed understanding of risk and safety concerns, which will be assessed through a quantitative risk assessment methodology in phase one of the project. This will ultimately lead to the development of best practices for safeguards in design and arrangements when using ammonia as a shipping fuel.

"In the eagerness to decarbonise the shipping sector, proper risk management is critical and safety must not become an afterthought. This project will provide matured understanding of safety risk enabling industry guidance towards future safeguard design and adequate operational guidelines. Enabling safe and adequate deployment of ammonia as marine fuel," said Claus Winter Graugaard, head of onboard vessel solutions, Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping.

dship's fleet currently consists of several new F500s, the strongest of which – Mick (pictured) and Keith – have a combined lifting capacity of up to 500 tonnes.

transportation for their cargoes. For that purpose, we need to define 'capacity' and 'utilisation' for each vessel – a task that is not as easy as for the container segment."

Feller drew attention to his company's F-500s, which have a much lower fuel consumption than comparable tonnage on the market. "We are in contact with the big classification companies to see what the latest developments are and what we can do... the fees for reducing the CO_2 footprint will come sooner rather than later. In other markets, such as container and bulk, we already hear that customers have certain questions [over emissions standards] and this will hopefully also come to the multipurpose sector."

LNG role

LNG has been positioned as the bridge fuel for an energy efficient future, until greener alternatives become commercially viable. Adoption is under way in the container and bulk sectors, although the challenge is greater for tramp carriers.

AAL's Panayides said that the infrastructure limitations regarding LNG bunkering are hindering its uptake as an alternative fuel. "How much are the majors investing to put this infrastructure in place? Shipping is not about calling at Rotterdam, Fujairah, Singapore and Houston – the main ports where there is the infrastructure for the supply of these alternative fuels – what happens with all the other ports? Deviation just for the purpose of supplying that fuel is a costly exercise."

He believes the chicken or the egg conundrum has yet to be answered.

In an April 2021 report on decarbonising maritime transport, the World Bank specifically recommends countries pull back from investing in further LNG bunkering infrastructure. It believes that green ammonia closely followed by green hydrogen strike the advantageous balance of favourable features among a range of different candidate bunker fuels for ships.

Furthermore, ammonia and hydrogen offer additional flexibility as they can also be produced from natural gas combined with carbon capture storage (CCS technology) – the so called 'blue' fuels. These multiple production pathways can help overcome concerns that not enough renewable electricity may be available initially to produce green ammonia and green hydrogen only.

The bank's research finds that LNG is likely to be used in niche applications like on pre-existing routes or in specific vessel types only.

Green hydrogen is not without its detractors, however. It needs to be stored at high pressure or low temperature, which makes it extremely costly. In April, engine builder Wärtsilä joined a growing group of players that believe hydrogen would not become a widespread marine fuel in the future.

The industry will be keeping close tabs on developments in the ammonia-powered arena, such as MAN's power unit scheduled to come into play in 2023. Ultimately, the industry demands clarity on regulation moving forwards. The time for pipe dreams and potential technologies is over.

> **We are in contact with the big classification companies to see what the latest developments are and what we can do... the fees for reducing the CO_2 footprint will come sooner rather than later.**
>
> – Lars Feller, dship Carriers

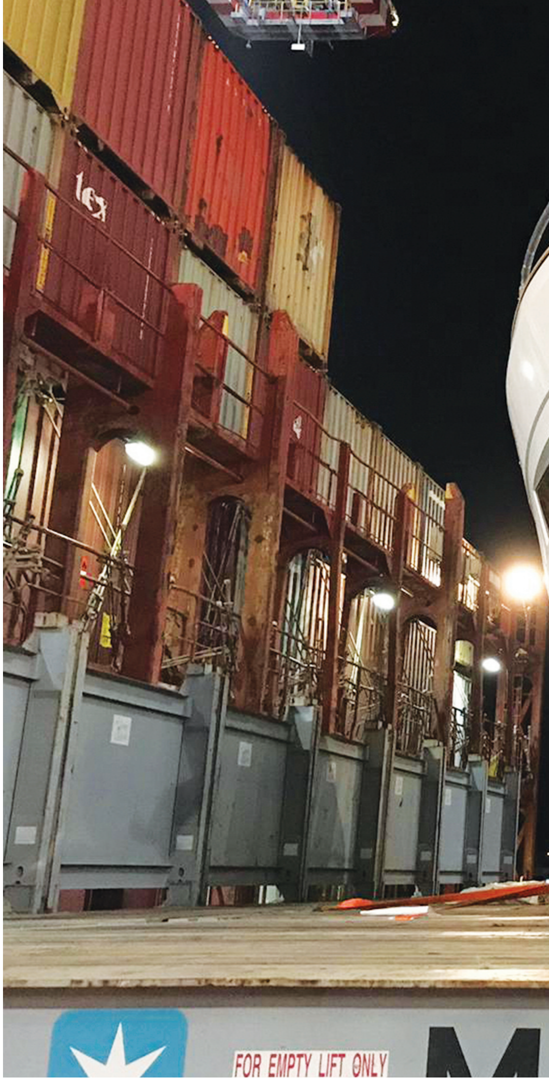
"If there a decision to be taken for our greener environment – no negotiation, no nothing, 2030 your ship will have to burn this fuel or that – it would drive both the supply from the major suppliers and, on the other hand, ourselves with newbuild ship designs to cope with that change," Panayides summarised.

Reassessing newbuilds

In terms of newbuildings and fleet renewal, Arthur English, ceo at G2 Ocean, said that whilst the fleet is always developing, these are not highest on its agenda right now. The carrier realised a 3 percent improvement in emissions last year through engine monitoring, hull polishing, certain additives in fuels and performance dashboards. "Those improvements are fairly marginal compared with the bigger challenge the industry faces. Our view is that we can make a bigger contribution when we get to the next round of newbuilds we take into the fleet; then there will be more of an opportunity to make a step change," he explained, drawing attention to Grieg Edge, a company of Grieg Maritime Group (one of G2 Ocean's owners), which has taken steps into the ammonia-powered area.

"For a lot of the cargoes we are carrying – whether it is wind energy components, wood pulp where there is carbon neutral production, or some of the aluminum coming for the hydropower sector – our customers are all following this [fuel debate] as closely as we are," English added. HLPFI

Demand and delays boost box lines



The container shipping industry has been stuck in a boom and bust cycle for decades. Owners invested in new tonnage during the good times, but were mostly stuck in recession with rates tumbling, debts mounting and ships idle. Little suggests this trend will reverse.

US-based consultancy Alix Partners published a report at the start of this year claiming that the container shipping industry is in a position to end its boom and bust cycle. For this to occur, carriers will need to exercise restraint over pricing and capacity, it said – a strategy that has often been abandoned in the past.

In 2014 for example, according to Alix, the industry appeared on the verge of entering a period of sustained capacity control and consolidation, but after a few carriers opted to place orders for new vessels, the rest of the industry soon followed suit.

In May 2020 as Covid-19 set about the world, idle boxship capacity rose to 11 percent as blank sailings became the norm, but fell back to just 3 percent by the third quarter of the year. Various sources suggested that by April 2021, idle container tonnage was near nil – every ship that could be sailing was in operation.

Slow steaming came back to the fore last year, with speeds falling almost 2 percent across the fleet, according to Alix. That trend has also reversed. Rates have skyrocketed – high demand and poor port productivity pressing the thresholds ever higher. The consolidation among operators and the three mega-alliances has meant they have been able to use their collective strength to keep those rates elevated.

At the start of 2021, the orderbook as a percentage of the global fleet was at a historic low, but as we moved through the second quarter newbuild orders started to pile up. However, orders placed now will take time to enter service and are more of a concern in the medium term. It's hard to predict how long the present conditions will last but little suggests any dissipation in the coming months.

The dry bulk market is experiencing similar dynamics, although demand prospects do not appear as bullish with global coal demand waning and China reaching peak steel production.

The IMO2020 sulphur regulations, which came into effect last year, were the first in what will be a costly set of environmental regulations that all shipping lines will need to comply with as the world goes green. While the path to decarbonise shipping by 40 percent by 2030 (and further in the subsequent years) is still somewhat opaque, the present market has catalysed owners.

> **Looking further ahead and into 2022, our base case is that demand continues to be strong, although likely with some continued rotation between segments.**
>
> – Kristian Lund Knudsen, Maersk

For many years, container and bulk carriers have targeted breakbulk and project cargoes. What they lack in heavy lift crane capacity and flexibility in terms of ports of call, they make up for with rates and frequent service schedules. Various cargoes have invariably gravitated to the two modes – with wind blades a common sight onboard bulkers, and all manner of larger cargoes shipped on the container fleet.

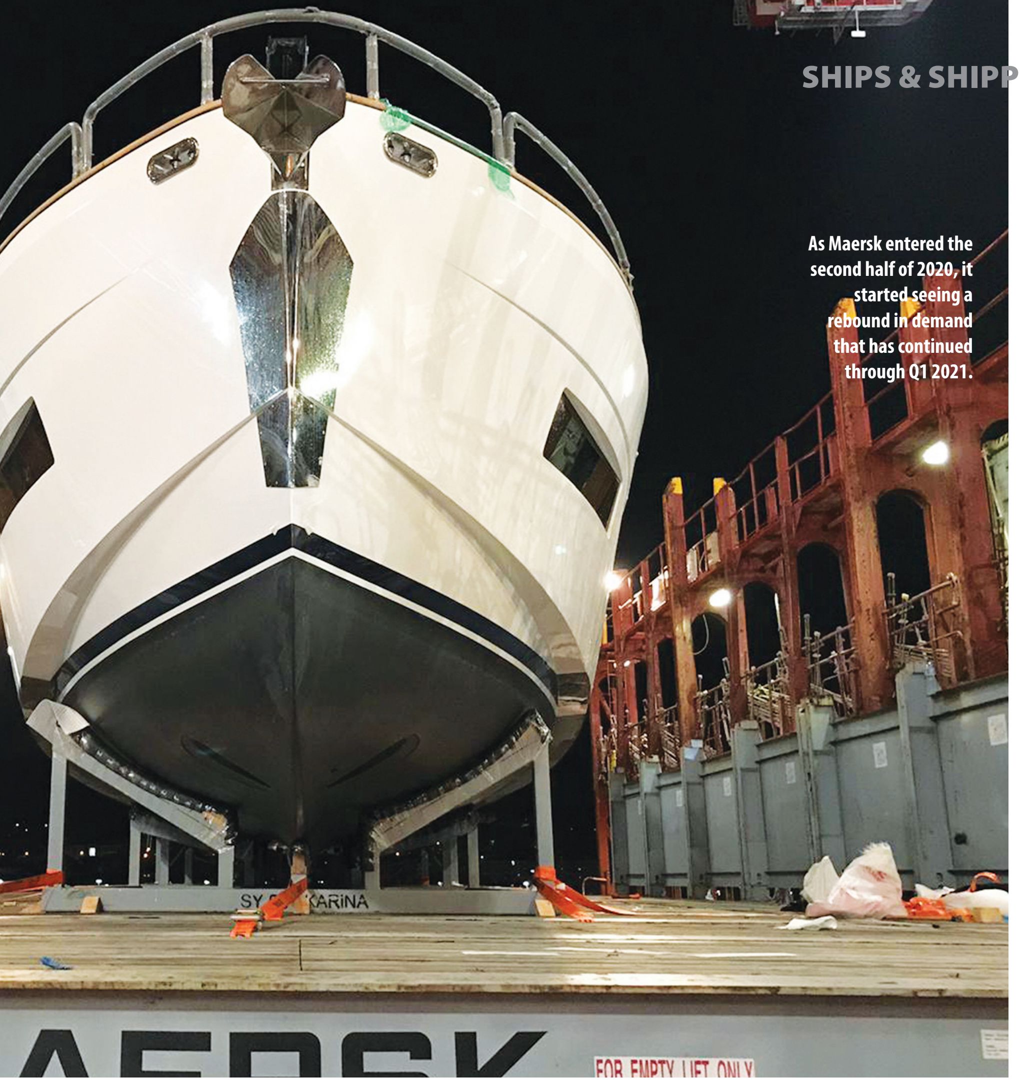
Reversing trend

However, with rates at unprecedented levels, it raises the question as to how much attention these lines will continue to afford to the bulky, awkward pieces. Shippers are already reversing a longstanding trend of breaking down their cargoes to ship in boxes, given that rates are so high right now.

According to Kristian Lund Knudsen, global head of special cargo solutions at Maersk, project cargoes remain a priority and demand for its service will remain strong.

"We saw a steep drop in demand during Q1 2020 and this continued into Q2 2020. As we entered the second half of 2020 we started seeing a rebound, accelerating towards the end of the year, and that has continued through Q1 2021.

"We are working closely with our customers to find solutions for them during



As Maersk entered the second half of 2020, it started seeing a rebound in demand that has continued through Q1 2021.

this time with a high number of bottlenecks and limitations. In some cases this relates to ports being challenged on manpower due to Covid-19 and therefore operating with limited capacity for oversize cargo. It also relates to network, equipment and trucking challenges – all of which require our customers and us to be nimble and look for alternatives when 'Plan A' turns out not to be feasible," said Knudsen.

"We see the strong trend of Q1 2021 continuing at least until the second half of the year. Looking further ahead and into 2022, our base case is that demand continues to be strong, although likely with some continued rotation between segments. This means, for example, that we expect the renewables segment to pick up further in performance, driven by both wind power as well as solar and battery-related infrastructure spending. On the other hand, we expect oil and gas to continue having an uncertain outlook; although there has been a small improvement lately, we do not expect that it will return to the level of demand we saw in the past."

Stéphane Berninet, head of CMA CGM's project cargo division, shared similar views. "During 2020, volumes dropped from industrial segments which had been directly impacted by the pandemic, such as aeronautics, yachting and other manufacturing/construction segments. Movement of transformers and oil and gas volumes have been relatively solid, despite the impact on the sector, and mining equipment was on the rise.

"Those volumes have been compensated by securing long-term projects, mainly from rail and renewable energy industries, which outperformed and are generating healthy and regular volumes. We also experienced regional growth for smaller projects and spot breakbulk shipments."

He, too, believes that demand for his company's services will increase this year. "Infrastructure projects, which have been on hold or pushed back, are resuming, and the shift towards green and renewable energies drives new investment programmes leading to a rise in volumes. We are receiving many new requests for information (RFI) and requests for quotation (RFQ), and our project cargo division is busy and committed.

Infrastructure projects, which have been on hold or pushed back, are resuming, and the shift towards green and renewable energies drives new investment programmes leading to a rise in volumes.

–Stéphane Berninet, CMA CGM

New enquiries

"Industrial segments, and their stakeholders, are shifting their business opportunities to us with new enquiries and volumes, acknowledging our organisation's skills, agility and operational capabilities in shipping highly technical projects. A growing number of shippers are looking for long-term visibility and flexibility, alongside schedule reliability, allowing them to forecast specific departure and arrival dates for a long-term shipping planning and a smooth supply chain management. Furthermore, meeting the delivery schedule has a positive impact on the overall project financials."

Berninet noted that the long-term contracts CMA CGM has secured last beyond 2021, and he is hopeful of securing more. "We are still expanding our geographical footprint by connecting our partners and service providers together. We keep targeting all trades and grab new opportunities to untapped local and remote areas, thanks to our multiple port-pair offers through the 420 ports that the CMA CGM Group calls at."

Knudsen said: "One of the most important trends at the moment is the drive towards improving the customer experience across the supply chain. New digital solutions have the potential to truly transform the customer experience in a positive way. The heavy lift/project cargo market comes with its own characteristics that mean we cannot simply copy the digital solutions implemented for standard containers, but that does not mean the potential is any smaller. There is a lot that can be done and we are only really scratching the surface. This will be one of the defining themes of the next five years." HLPFI

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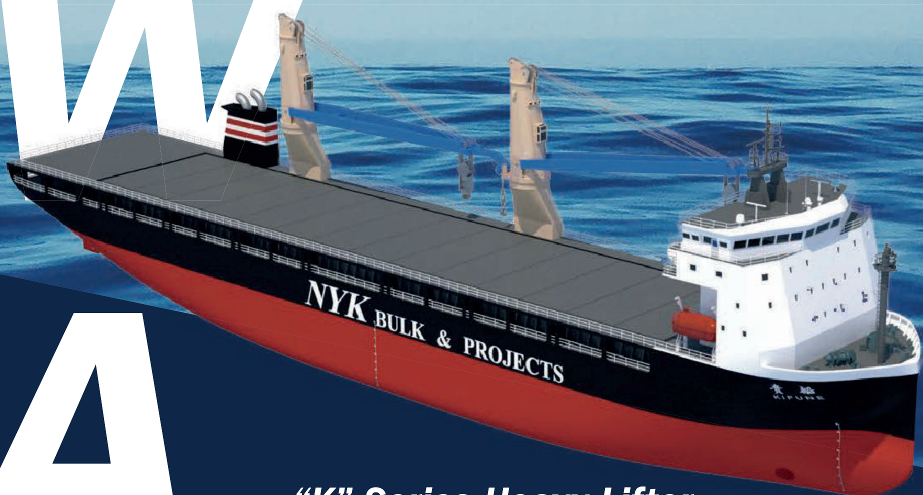

"K" Series Heavy Lifter

1st ship **MV KATORI** 2nd ship **MV KIFUNE**

Two next-generation energy-saving heavy-lift vessels will be arriving soon

NYK Bulk & Projects Carriers Ltd. has placed an order for two heavy lift vessels.
The newbuilds will be delivered between August 2021 and January 2022,
and will enable us to continue to respond to the needs of plant cargo customers all over the world.

GEAR
800t
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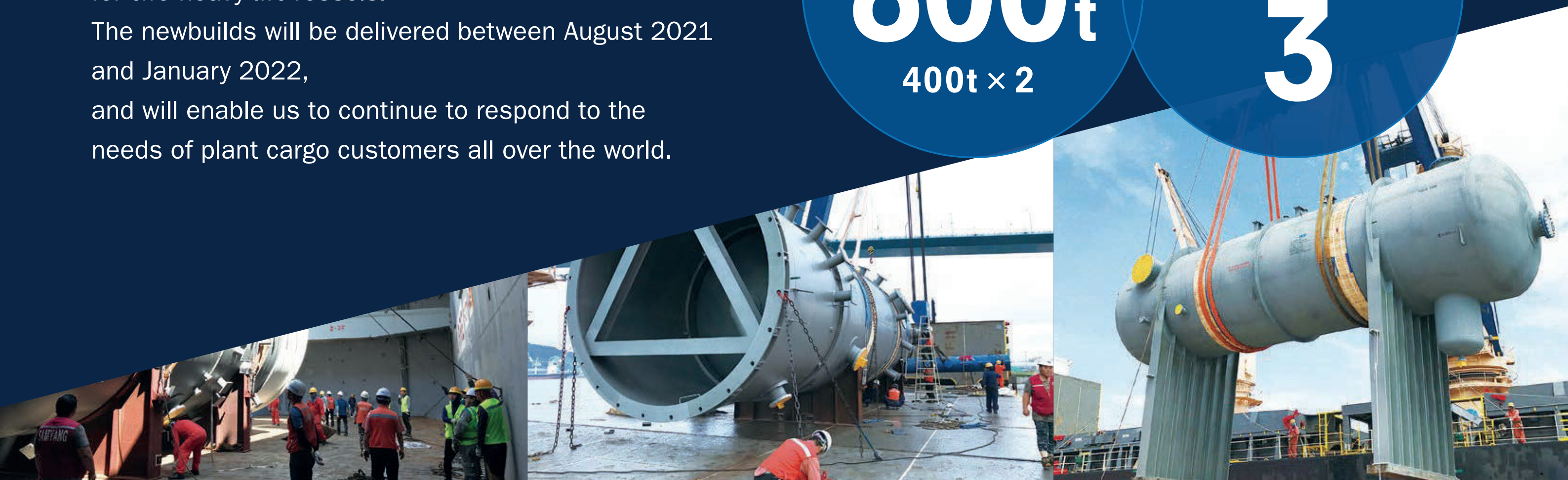
EEDI
phase 3



UHL Fame carries out the first Akita shipment.

UHL opts for rapid fleet expansion

Germany-headquartered United Heavy Lift (UHL) established a joint venture with the Gustav Zech Fund during January 2021 as it steps up its growth strategy. The carrier has time-chartered 17 of the fund's F900 Eco-Lifters for a 14-year period, writes *David Kershaw*.

At the turn of 2020, UHL took control of nine F900 Eco-Lifters formerly operated by Zeamarine. Lars Rolner, founder of UHL's parent company United Shipping Group, said this tonnage has performed well. "We also knew that another eight had been ordered and we thought it would be good for us to secure all the ships for the long term... this deal is strategically significant for the company. Now we have the most modern, most fuel-efficient fleet in the business."

UHL took delivery of the first of the eight newbuilds, UHL Faith, on January 18, 2021, with three more vessels lined up to join the fleet by June 2021. The full contingent of F900s will come under the commercial management of UHL by April 2022.

"We proved last year on South Flank [a 450,000 freight ton contract for BHP in Australia] that the vessels are ideal for projects... To have a homogenous fleet where you complete the load planning on the one vessel type, and then you can change the ships out without any additional engineering, is amazing."

Given the surge in demand for multipurpose tonnage, it appears as though UHL timed the situation perfectly, nailing down highly capable ships with high intakes and low consumption for the long term.

"With the F-types, the low consumption is of course a benefit both on the cost when bunkering but also regarding emissions. When considering the size and intake of the vessel, if you calculate per freight ton carried the emissions become quite low," said Rolner.

UHL, and the wider United Shipping Group, has been busy expanding its fleet and capabilities in recent years with a keen eye on green shipping activities. Rolner drew comfort from the fact that the United Group fleet is geared up and ready to comply with more stringent environmental standards in the future.

> **With the F-types, the low consumption is of course a benefit both on the cost when bunkering but also regarding emissions.**
>
> – Lars Rolner, UHL

Last year, United Wind Logistics (UWL) took delivery of two newbuild deck carriers, BraveWind and BoldWind. The 10,000 dwt vessels combine an optimised hull design with diesel-electric propulsion – the electric package was supplied by ABB and is powered by four MAN diesel generators that meet IMO Tier III emission regulations, having been equipped with urea injectors and catalysers that reduce NOx emissions by 95 percent.

Design and development

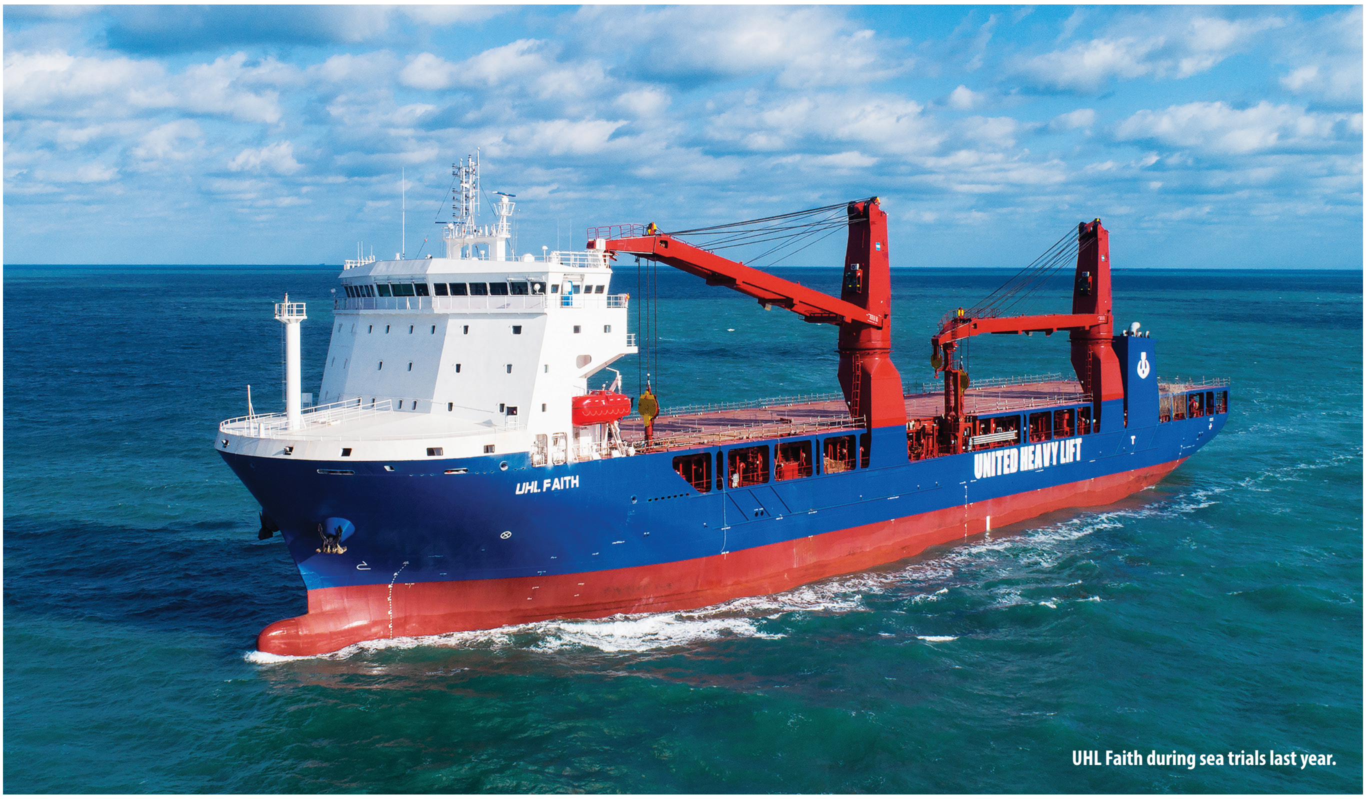
The deck carriers can be retrofitted with a hybrid system and potentially a fuel cell solution in the future. The goal is to have them running at zero emissions, when achievable. He believes cargo owners are starting to want environmentally minded services. "Some of our clients need to take all their sub-suppliers' [environmental] footprints into account, and there will be taxation on CO_2 emissions. Climate-wise, this is an important development."

United Group's network has also been boosted in recent months with the establishment of United Marguisa Lines (building upon the joint sailing agreement of Marguisa and UHL) for its services to Africa; the opening of a joint agency office with Ocean7 Projects in Dubai; and the appointment of DUO Shipping as its exclusive commercial agent in Turkey.

In May 2020, the group launched United Heavy Transport, which is responsible for the commercial operation of the semi-submersible vessels Hua Yang Long, Hua Hai Long, Hua Xing Long and Hua Sheng Long. Since June 2018, UHL has been the agent of these ships for GS-Pango International, which is the exclusive commercial agent for Guangzhou Salvage.

Rolner said that a diversified fleet – ranging from P-type heavy lifters to semi-submersible heavy transport vessels – has stood it in good stead. The heaviest cargoes it has handled recently were two 8,000-tonne modules. However, it is the fleet's environmental and performance credentials that have been advantageous presently. He did, however, draw attention to uncertainty around how future emissions standards are going to be calculated, and to what extent the heavy lift and multipurpose shipping sector will be affected.

HLPFI



UHL Faith during sea trials last year.

Keeping cool in a 'hot market'

At the time of publication, all trade lanes were looking healthy, particularly those outbound from Asia. *David Kershaw* examines how carriers are adapting to the 'new normal for now' and preparing for the future.

Ulrich Ulrichs, managing director at BBC Chartering, highlighted the current tight vessel supply, although the carrier has been able to strengthen its roster.

"There are only very few secondhand vessels available in the market these days, especially when you look for crane capacities of 200 tonnes combined or more," he said. "Keeping an eye on fleet diversity and age, we have used some opportunities to pick up secondhand vessels. We are amidst the process of integrating five 25,000 dwt multipurpose vessels that come from PIL. Those vessels have been purchased by Briese Schiffahrt and will be on time charter with BBC Chartering.

"In addition, we are continuing our newbuilding programme based on the F500-type. Four vessels have already been delivered in the 2018-2020 range, with four more to follow – one in the second half of this year and three during 2022. On top of that we are in the process of adding a number of modified F-type designs, with the bridge forward, during 2023-24."

High demand

Lars Rolner, founder at United Shipping Group, said his companies are seeing massive amounts of cargo on the market presently, primarily onshore wind energy cargoes.

Blades for such developments are currently as long as 75 m and Rolner believes that the dimensions will keep growing, potentially reaching sizes currently seen installed offshore.

"We see lots of other cargoes in the market like barges and hull sections; it is not one or two, it is hundreds. There are a few projects coming up and it will be interesting who wins some of those, but presently we keep the vessels busy in our trades between Europe and the Far East."

He added that there is more project activity into the US Gulf. While describing the market as "interesting", he sounded a cautious note with regard to the export volumes from the region.

Rolner compared the market of early 2021 with the end of 2003/04 when shipping markets picked up."[At that time] we fixed some steel contracts at very high rates. Some vessels loaded pet coke and bulk cargo and that was paying more than heavy lift at that time. Then the entire heavy lift market recovered and lasted for roughly six years before we had the recession."

What Rolner hopes for this time is a period of stable trading conditions and steady cargo flows, not the hyped-up market that invariably ends up flooded and oversupplied. Stability is needed to create conditions for long-term sustainability and much needed investment.

"Newbuilds will be more environmentally friendly and capable of operating on the next generation of power systems required to meet emissions targets. There will, we hope, be a way of driving old tonnage out of the market."

Newbuilds delivered

In March 2021, dship Carriers boosted its fleet with the delivery of the newbuild F500 vessel Charlie. The ship is equipped with two Liebherr cranes with a maximum lifting capacity of 250 tonnes each.

Developed with the goal of reducing fuel consumption while increasing stowage flexibility, Charlie is fitted with a Becker Mewis Duct device and a Becker rudder. The energy-saving technology, manufactured by Becker Marine Systems, consists of two elements mounted on the vessel: in front of the propeller and an integrated fin system.

dship's fleet currently consists of several new F500s, the strongest of which – Mick and Keith – have a combined lifting capacity of up to 500 tonnes. Another F500 was scheduled for delivery in April 2021, with another lined up for the summer.

"They are our best horses – they are really fantastic ships to be honest," said Lars Feller, global vice president at dship Carriers. They are trading worldwide – on its South America shuttle service, the Great Lakes, Japan and Asia in general. Speaking in April, Feller said the F500s were fully booked for the next two months.

"It is something younger colleagues have never experienced but at the moment it is really a rush. It is important now, besides scheduling the ships in the right way, to keep a balance between this market and still supporting our clients.

"Our clients are, of course, struggling and we try to find a balance between being part of this market and supporting our customers. It sounds so easy, but the most challenging thing at the moment is not to overdo it."

Feller said: "We have the comfortable situation right now that some of the ships we operate are owned by Thomas C. Press (owner of dship and deugro group); then we have long-term charter contracts and some on short-term charters. Now, more than ever, we look at how we plan our fleet in the next 6-12 months. The situation that you will always find a ship anywhere is not there anymore."

At the moment dship has 20 ships on charter – a number described as "a lot but manageable with the people we have". While not ruling out bringing in new tonnage entirely, Feller described the market as "too hot" right now. "We are not forced to do anything so we can wait for good opportunities."

G2 Ocean operates in both the bulk and multipurpose shipping markets. The changes seen in both since the start of the year have been dramatic. Arthur English, ceo, pointed out that Supramax spot charter rates had risen to above USD20,000 per day in April, up from roughly USD12,000 at the start of 2021. Multipurpose ships being chartered for container transport is ongoing and tightening supply on that front."We are seeing interesting cargoes coming out of containers and moving back to breakbulk. Whether we look at containers, multipurpose or dry bulk, all the indicators are up and as a result we have been able to increase our forecast for this year," he said.

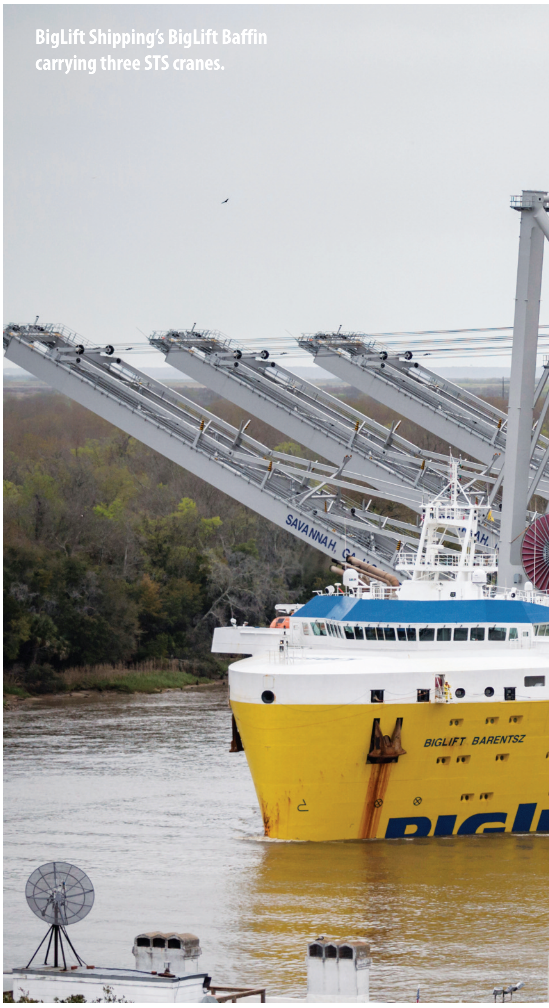
He noted that G2 Ocean is seeing the most growth in cargo out of the Pacific, with Atlantic flows relatively stable. It has upped its Pacific to Atlantic services to reflect the market. "Our breakbulk volumes held up through all of last year, so we were not really affected by Covid-19 volume-wise. This year we are seeing some increases; commodity prices are quite high, there is not much downtime in the mills and so on, and we are seeing the nominations we get coming in at the top end of expectations. Equally, they are not off the chart. Breakbulk is strong but still relatively stable.

Project cargo growth

"Where we expect to see bigger growth this year is around project cargo, where we grew 25 percent last year and we expect a similar increase this year," said English, noting that this increase was driven predominantly by wind energy shipments.

G2 Ocean has 88 ships in its long-term, open-hatch pool, with 10-20 vessel trading short term – a number that has remained consistent in recent times. Its bulk pool has dropped from 20 to 15 with those vessels being redelivered having reached the end of their charters.

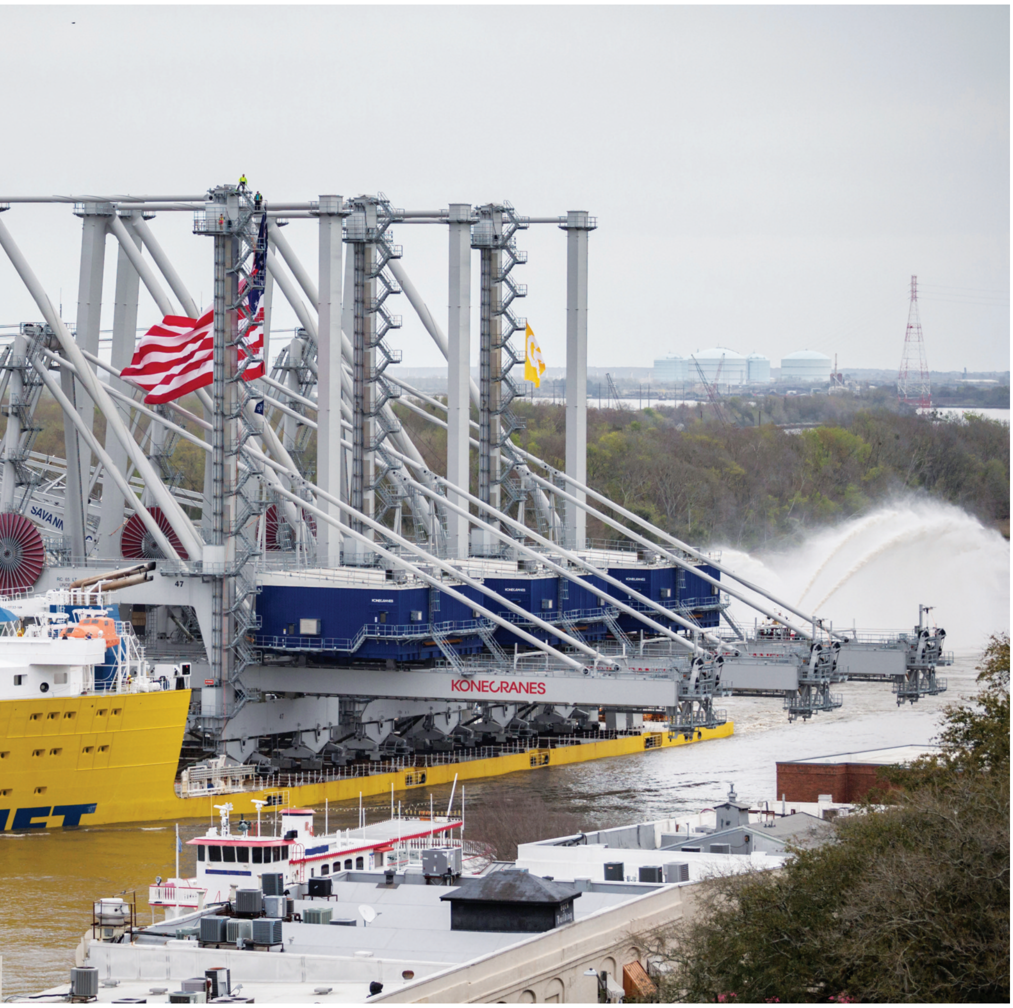
"This year, because of this strong market, we are doing a bit more operating. We think the number of short-term ships will increase



BigLift Shipping's BigLift Baffin carrying three STS cranes.

The disruption in the container market is ongoing... we are seeing interesting cargoes coming out of containers and moving back to breakbulk.

– Arthur English, G2 Ocean



over the course of the year due to the commodity flows we are seeing," said English.

Bremen Overseas Chartering and Shipping (BOCS) has a trusted history on the Europe-Africa trades. It, too, has seen rates rise on its services to Africa as a result of volumes increasing from Asia to the rest of the world, containers appropriating MPP tonnage and bottlenecks. "At the beginning we did not see a freight rate increase, but as the weeks and months passed, and the lack of equipment for container carriers arose, the rates climbed."

BOCS operates five multipurpose vessels suited for the Africa trades. While not ruling out chartering additional tonnage, time charter rates could prove prohibitive, said Björn Hollnagel, managing director, noting that the daily rate for an F500 has risen from USD6,000 per day to almost USD11,000 at present.

"There has been a rally," he said, one not driven per se by extra cargo but a lack of available tonnage. What could boost the market further in Africa is the oil price. "Schlumberger and others, for instance, were not really active last year and they are now starting to come back."

Another challenge affecting most shipping lines is finding the balance right between lower and high-paying cargoes. Hollnagel said that moving the former is currently quite demanding, especially when it concerns good clients that have been there during tougher times. "Other cargoes are paying more, but nobody knows how long it will last."

Container carriers appear to be fixing contracts for 1,700-2,000 teu for two to three years for really high money, said Hollnagel, which suggests that they are at least optimistic about the years ahead. "Whether this situation is the same for MPPs, we will see. On the other hand, we have been influenced by Covid-19," but "all in all, Africa is going OK."

Yusuf Yusufoglu, trade manager MPP for Breadbox Shipping Lines, confirmed that the volatility in the container and bulk sectors positively impacted its business, "particularly with steel shipments, we have seen more and more clients who have been traditionally shipping in containers switching to shipments in breakbulk – a temporary reversal of a trend that has been witnessed for many years." He expects demand to remain steady this year and into 2022, with rates settling at a higher equilibrium than seen this year.

Breadbox has been able to capitalise on the market having brought three additional vessels into its fleet, with another expected at the end of May. "With the increase of the cargoes we control in the market and the anticipated upsurge in multipurpose tonnage conditions, we wanted to reduce our exposure to market volatility. Furthermore, in recent years we have become increasingly involved with IMO traffic relating to mining industries in West and South Africa. We therefore decided to invest in vessels that are fitted for carriage of all IMO classes," Yusufoglu explained.

> **It sounds so easy, but the most challenging thing at the moment is not to overdo it.**
>
> – Lars Feller, dship Carriers

Fleet additions

Joining the fleet are: Breadbox Warthog, (8,300 dwt geared tweendecker); Breadbox Oryx (8,000 dwt geared tweendecker); and Breadbox Viper (3,200 dwt gearless single decker). The fourth vessel (5,500 dwt geared coaster) complements all trades/services Breadbox currently operate to/from West/East and South Africa as well as its inter-Africa traffic, he said.

"Our multipurpose service from the North Continent to West Africa remains our most active service with three sailings per month. Since the beginning of last year, we have restarted our service from Med/Black Sea as well which has been gaining regularity and we are currently deploying monthly sailings from this area.

"We believe that West Africa will become an interesting new market for shipments originating particularly from Turkey and we are already seeing a flow of sizeable breakbulk parcels which we are servicing using handy sized bulk carriers into West / Central Africa.

"Another emerging area that is worth mentioning are the shipments from North Africa to West and East Africa. We see an increased flow of cargoes from Algeria, Egypt and Morocco to West / East African destinations. We expect the shipments from these new origins to increase in the near future which will complement our sailings starting from Mediterranean and Black Sea area nicely."

He added: "Inter-Africa service continues to run with a very high level of activity between Mauritania and Cameroon ports. With five dedicated ships active in our coastal service, we remain a strong and experienced

Seafarer plight remains unresolved

Throughout the Covid-19 crisis, a key concern for the shipping industry has been the plight of the seafarers. Well into the second year of the pandemic and the challenges of changing crew remains unresolved.

Despite the concerted efforts by international organisations and companies, seafarers are still unable to disembark from vessels while new strains of Covid-19 create a risk of making the situation worse.

In early May, the Global Maritime Forum set up the Neptune Declaration Crew Change Indicator to provide data about the number of seafarers that are impacted by the crisis, collating information from ship managers Anglo-Eastern, Bernhard Schulte, Columbia Shipmanagement, Fleet Management (FLEET), OSM, Synergy Marine, Thome, V.Group, Wallem, and Wilhelmsen Ship Management.

For mid-April 2021, the indicator showed that 5.8 percent of seafarers were onboard vessels beyond the expiry of their contracts of employment. Of these, 0.4 percent of seafarers had been onboard vessels for over 11 months – beyond the maximum continuous period a seafarer should serve on board a vessel as stipulated by the Maritime Labour Convention.

"While the percentages of the first indicator appear low, this should not be interpreted as an indication that the crew change crisis is over. On the contrary, we see worrying signs with the rapid spread of new strains of Covid, in India and other countries, which should be a big cause for concern for our industry," said Rajesh Unni, ceo of Synergy Group.

With the spread of new strains, there are increasing fears that the situation is far from over. Bjorn Hojgaard, ceo at Anglo-Eastern Univan Group, said: "In fact, 2021 is set to be worse than last year, with the recent surge in Covid cases in many crew supply countries making crew change in many cases impossible, due to ports' shutting down for these nationality seafarers.

"The current very low numbers reported by leading ship management companies is not representative for the actual situation on the ground, and the worsening development in the next few months. What our industry needs is priority vaccination for seafarers and for ports/countries to allow vaccinated seafarers to rotate unimpeded on the world's merchant fleet."

player in the region and intend to continue expanding our presence in the area."

Olaf Proes at Polish-Chinese shipping line Chipolbrok also shared an optimistic outlook for the times to come, with the caveat that the Covid-19 pandemic is brought to heel.

"To meet a growing demand for shipments especially on our routes running out of China and South Korea we sounded-out the market before the run on multipurpose tonnage started and secured additional well-suited tonnage with reasonable conditions. This allows us more flexibility in our schedules, cover more requested shipments but also allows us to keep the required maintenance on our ships without creating gaps in our sailing frequency when ships go for dry docking."

Improving conditions

He added: "We are slightly impacted by a reduction of high-valued machinery shipments from Europe to Asia due to production shortfalls at some manufacturers who depend on supplies of components from China. But in general we are confident that the market conditions in 2022 will further improve and become even better than in 2019/2020," said Proes, noting that the last 12 months were not altogether bad for its activities either. "Now with increasing fuel prices and a growing demand for LNG and LPG we see also good prospects for the oil and gas industry in which we usually benefit from with regard to transports. The Chinese side of our company would say: The future will be bright."

The carrier has also benefitted from the shipping of containers and other cargoes that would not otherwise travel in a box. "We took advantage of this reversal early on and loaded our ships again with commodities that had taken other routes for a long time. We are of course pleased about that; because it results in a higher utilisation of our fleet and consequently more income."

He conceded that there are still hurdles to overcome. "The trade flows on our routes are subject to imbalanced utilisation. That's why we started early to focus more on bulk consignments and part charters on our liner vessels. However, we see these impairments less on the commercial side than on the human side. Our ship crews should be replaced regularly, which is extremely difficult under the given conditions.

"Our Chinese, Polish and Filipino seafarers want to take a vacation after a long journey, travel to their home countries and, above all, see their families again. This has become extremely complicated under the current circumstances."

BigLift Shipping specialises at the higher end of the heavy lift shipping market. Hansje Dahmen-Verkade said that the group has been busy in the last months. "Although shipping did feel the hindrances of worldwide closures and the disruptions in many operational aspects, there is still a demand for cargoes to be moved and delivered," she said."With the pandemic coming more under control in the course of 2021, we expect the market will improve compared to 2020."

> **There remains the outstanding question about the fuel of the future. Which fuel will bring significant gains and reduce the environmental impact from well to tank to wake?**
>
> – Hansje Dahmen-Verkade, BigLift Shipping

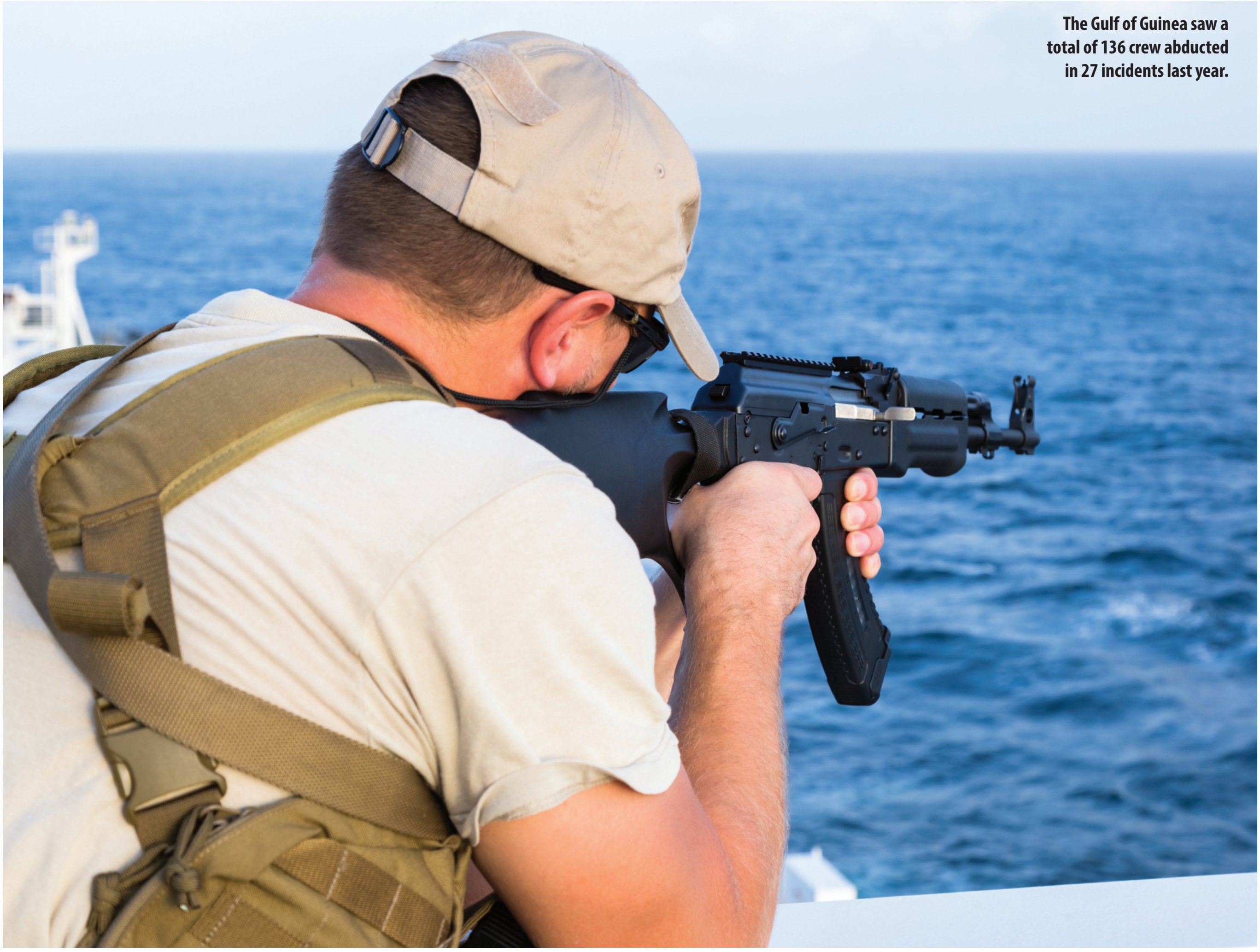
Dahmen-Verkade said that, "sustainability is becoming an increasingly dominant part of the discussion publicly, politically and with our customers. We embrace this, as we believe a sustainable value chain can only be achieved by collaboration between all the stakeholders.

Three pillars

"As Spliethoff Group we aim to meet the goals defined by the IMO. Our path to achieve this is based on three pillars: operational performance, efficient ship design and innovative systems. With a focus on optimising speed against energy used we can significantly improve the emissions per tonne-mile. With the application of fresh insights in propulsion and hull optimisation, new designs will be more energy efficient. We closely follow developments in energy savings related to vessel equipment and systems and apply them wherever possible.

"But, there remains the outstanding question about the fuel of the future. Which fuel will bring significant gains and reduce the environmental impact from well to tank to wake? We support these developments, follow them closely, and are keeping our options open regarding these fuels of the future. It is worth noting that we are very dependent on these developments when it comes to achieving the targets concerning environmental impact reduction.

"To reduce the risks of price fluctuations and fuel quality and to reduce the environmental impact of our fleet, we decided to equip our fleet with exhaust gas cleaning systems. This worked out well and we are proud we could make a significant contribution to cleaner air emissions by the use of exhaust gas cleaning systems whilst the scrubber wash water still meets the strictest water quality standards," she explained. HLPFI



The Gulf of Guinea saw a total of 136 crew abducted in 27 incidents last year.

Political indifference allows piracy to thrive

Piracy in the Gulf of Guinea is becoming more sophisticated and violent. Tackling the deteriorating security situation rests upon the political will of West African states. *David Whitehouse* reports.

The Gulf of Guinea remains "the most dangerous environment for commercial maritime operations", said Phil Diacon, ceo of Dryad Global, in the company's 2021 annual report. A total of 136 crew were abducted in 27 incidents last year, with the level of violence increasing.

The use of guns was reported in over 80 percent of the 2020 kidnappings. Those statistics do not fully capture the dangers, and attacks should not be counted only when pirates achieve their aims, Dryad said. There are many incidents in which vessel safety is compromised without pirates managing to kidnap crew, it added.

The International Maritime Organization (IMO) is convening a maritime security working group in May focused on the Gulf of Guinea where member states and international organisations will discuss how to tackle the problem.

Such an initiative can raise awareness of the issue but "fundamentally not much more", said Alexandre Raymakers, senior Africa analyst at Verisk Maplecroft in Cape Town.

Piracy in the Gulf of Guinea is not increasing at an exponential rate, though it makes up a greater share of global incidence

There is a very strong chance of crew injuries and deaths. It is not a nuisance issue with a quick fix. It is not going to improve in the next year.

– Alexandre Raymakers, Verisk Maplecroft

Carriers undertake costly diversions

Bjorn Hollnagel, managing director at BOCS, said: "The greatest problem currently for the carrier is piracy in the Gulf of Guinea. A solution is hard to find and vessels are being forced to take costly diversions.

"We are really hoping and praying that there will be a united mission because it needs addressing... It is difficult to find owners willing to go to the Gulf of Guinea. Our vessels are sailing longer distances to avoid going through the high-risk areas."

He said that Italy, France, Spain and Denmark have sent vessels to help address the situation. In the end, said Hollnagel, they cannot do a lot as they must respect sovereign waters.

"There was a general from the EU giving some information but in the end it is really bureaucratic, there is a lot of talk but no action... There are four or five 'responding centres' in Africa but they are managed locally and, in the end, they are not really having an effect.

"It is really stressful for the crew on board. It is also increasing the rates because their insurance is more expensive, we are taking longer distances, and in the end it is a pain for everyone," Hollnagel explained.

Yusuf Yusufoglu, trade manager MPP for Breadbox Shipping Lines, said of the situation: "We are also experiencing changes/increased risks at our main operating area. For instance, we have recently seen an upsurge of pirate activity in the Gulf of Guinea area. Due to these recent events, it has become increasingly difficult to find suitable tonnage willing to trade in this area on a time-charter basis. In turn, we decided to increase the security measures on board our vessels and continue trading in this challenging area as safely as possible."

due to improved security off Somalia, Raymakers explained. Still, the region's lower international profile compared with Somalia makes it easier for governments to go slow on the issue. International interest, Raymakers continued, is "extremely limited". A solution will need "regional buy-in" from all the coastal states, but Raymakers sees only slow movement towards it.

It is harder to attract attention because the Gulf of Guinea is a regional rather than an international trade route, Raymakers added. Nigeria has limited financial means to tackle piracy and other security issues, and attention will be given to the problems with the highest political priority, he explained.

Raymakers expects that piracy in the Gulf of Guinea is likely to get "slightly worse" in the medium term. Incidents are likely to occur further out to sea and the attacks are likely to become more sophisticated and violent. There is a "very strong chance" of crew injuries and deaths, he added. "It is not a nuisance issue with a quick fix. It is not going to improve in the next year."

Treating the symptoms

According to the US Maritime Administration, about half the incidents are taking place off Nigeria, down from 71 percent in 2019. This, the administration said, is an indication that pirates are travelling further to target vessels. The pirates have been going up to 200 miles from shore and generally kidnap between two and six high-value crew, including the master, the chief engineer and any westerners. The kidnapped crew are usually taken ashore to the Niger Delta region before ransoms are demanded.

The pirates know that cooperation between states has improved close to shore, which is why they have pushed their activities further out to sea, said Ifesinachi Okafor-Yarwood, a maritime governance and security expert at the University of St Andrews in Scotland. The fact that communities are willing to shelter the pirates is due to a lack of welfare provision and resulting hostility to the state, she added. In the Niger Delta, she explained, "no-one in their right mind would be willing to help the state".

A military response would do no more than "treat the symptoms" and push the pirates elsewhere, she continued. "A Somalia-style response is not going to fly. The use of arms must be complemented by soft power."

Steve Cameron, managing director of Cameron Maritime Resources in London, questioned whether deprivation is the root of the problem. He said that piracy in the region is "a commercial business that fluctuates with oil prices". Pirates target oil when prices are high, and favour kidnapping for ransom when prices fall. There is the perception, he said, that there are Nigerians who have interests in both piracy and politics. If the problem was purely economic, Cameron argued, it would have been fixed during periods of strong oil prices.

Cameron compared the situation in the territorial waters of the Gulf of Guinea with the piracy in the Indian Ocean; as most of the affected zones in the Indian Ocean are in international waters, local security teams with finance from international organisations are used on vessels. Cameron said that this has worked to some extent.

Training standards also still need to reach those seen in the Indian Ocean and the region's navies need support to build capacity, he added. The US Navy is already providing support and the process is moving in the right direction, but progress "will not happen overnight", rather it will take between five and ten years, said Cameron.

A Somalia-style response is not going to fly. The use of arms must be complemented by soft power.

– Ifesinachi Okafor-Yarwood, University of St Andrews

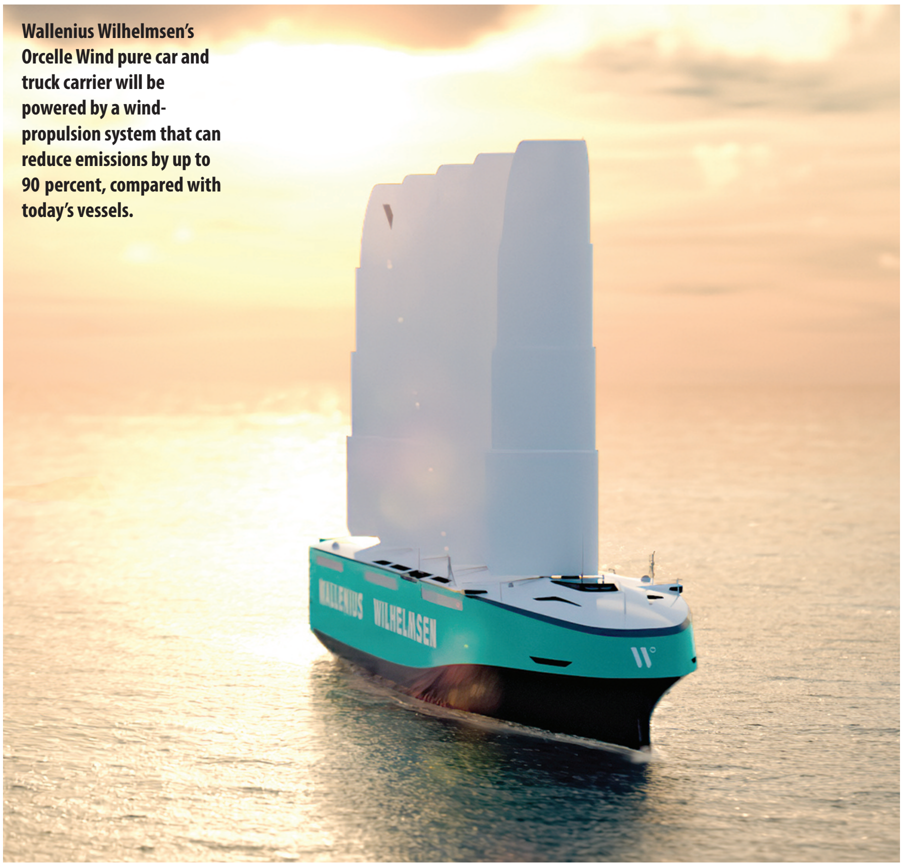
"The foundation and structure is there," said Cameron, referencing the Yaoundé Code of Conduct (YCC) – a regional code signed in 2013 aimed at enhancing maritime security. But states in the region lack standardised anti-piracy legislation, he said. "There needs to be a commonality in the laws." However, regional rivalries and the division between Anglophone and Francophone countries complicate the task.

Inadequate enforcement

The IMO has no authority for enforcement, Cameron emphasised, adding that Nigerian President Muhammadu Buhari has shown a "lack of progress" in improving security both at land and at sea. His track record in trying to tackle the Boko Haram insurgency and in dealing with clashes between farmers and herders "makes it difficult to have confidence". Corruption in the army is endemic, Cameron said, with issued weaponry sometimes being sold on rather than used.

Looking ahead, Cameron noted that there has to be the "political will" to strengthen local defence forces through recruitment and training, as well as to prosecute pirates. Nigeria has been "consistently lacking" in showing it. "If they really wanted to improve maritime security, we would have seen much more progress," he said.

HLPFI



Wallenius Wilhelmsen's Orcelle Wind pure car and truck carrier will be powered by a wind-propulsion system that can reduce emissions by up to 90 percent, compared with today's vessels.

Setting sail on the winds of change

Shipping's journey towards zero emissions requires great strides. Ro-ro operators are rolling with the tide and introducing new vessel designs and innovations aimed at tackling the sector's greatest challenge.

Wallenius Wilhelmsen has reduced its CO_2 emissions since 2008 by 33 percent. While this is an impressive accomplishment in itself, the company has set its sights on further reductions and unveiled its latest sustainability initiative – the Orcelle Wind pure car and truck carrier (PCTC).

The vessel will be powered by a wind-propulsion system that can reduce emissions by up to 90 percent, compared with today's vessels. Wallenius Wilhelmsen said that the vessel will act as a "testbed" for other zero-emission fuels and technologies.

Roger Strevens, vice president of global sustainability, said that companies will require a suite of lean, green solutions to meet the sustainability demands. "Orcelle Wind is a prominent initiative among them, but it is just one... we keep an open mind on where the next solution may come from or what form it may take."

Another initiative is the implementation of a weather routing software solution – developed in partnership with StormGeo. The software uses weather and ocean current models and forecasts to estimate which route will involve the least energy consumption and corresponding emissions.

> **[Höegh Autoliners' Aurora-class vessel] will be the largest and most environmentally friendly car carrier ever built.**
>
> – Andreas Enger, Höegh Autoliners

Optimising routes and schedules has been a focus for NYK and NYK Business Systems (NBS) too. Together they have developed a system for creating improved PCTC sailing schedules.

The system takes into account calling ports (including the most appropriate arrival time), the number of loading or discharging units, and the most suitable navigation speed.

"Development and improvement of several operation-assistance systems are part of software innovation to achieve NYK's environmental target, which is to reduce CO2 emissions per transportation unit by 50 percent by 2050," the company said.

Another path to lowering shipping emissions is the use of alternative fuels; United European Car Carriers (UECC) trialled GoodFuels' biofuel oil on its vessel Autosky and reported a 58 percent reduction in carbon intensity on the vessel.

After a year of operation, UECC said that "the results are striking", citing a reduction of over 20,000 tonnes of CO2 emissions, a reduction of more than 9,000 kg of sulphur oxide emissions and a similar total reduction in particulate matter.

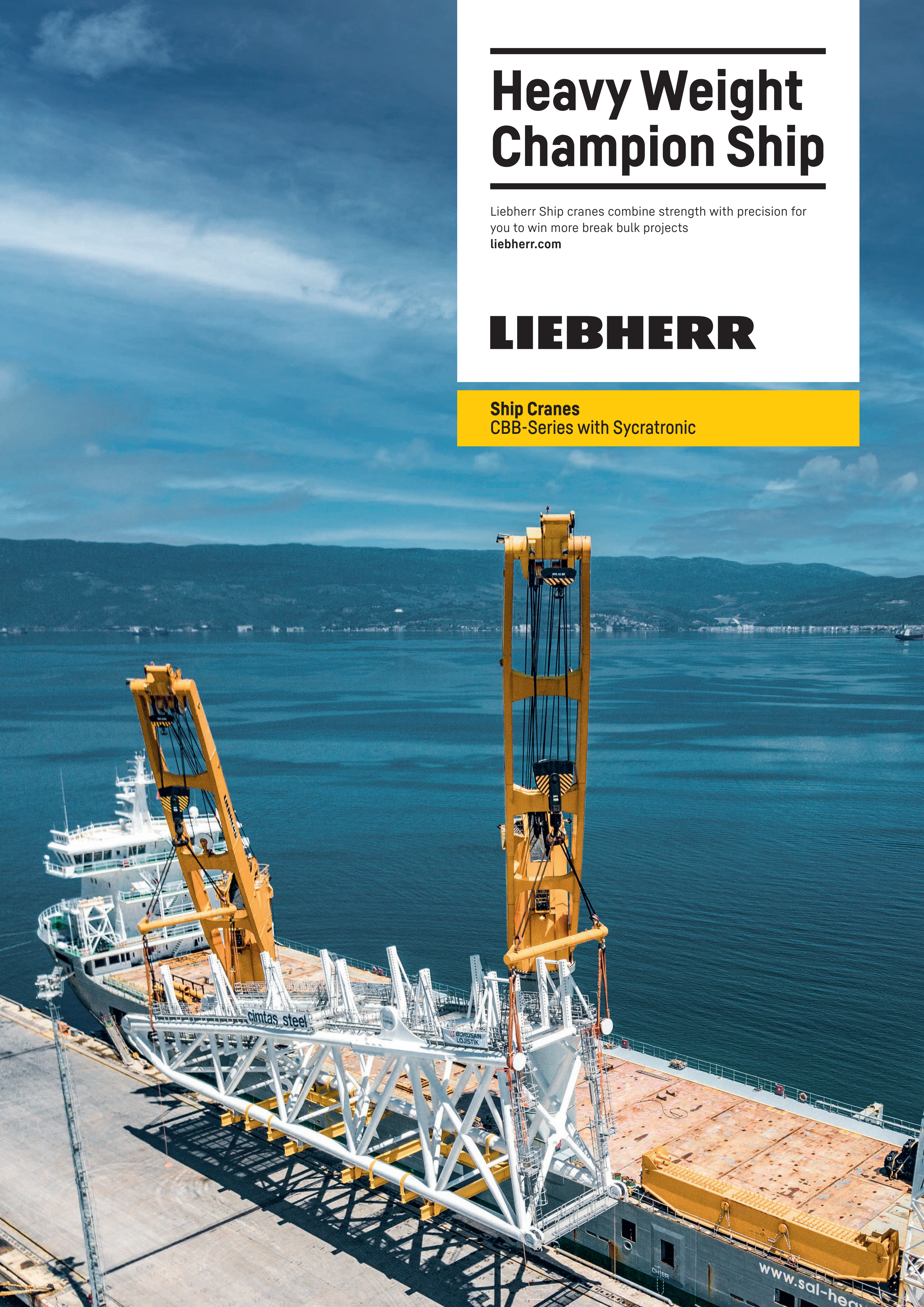
UECC referenced the International Maritime Organization's (IMO) goal of reducing carbon intensity by 40 percent by 2030, noting that with the use of biofuel oil it is "in front of this ambitious objective".

Höegh Autoliners also has environmental concerns as a core focus. During April, the shipping line signed a memorandum of understanding (MoU) with Xiamen Shipbuilding Industry to build a PCTC that features engines capable of running on various environmentally friendly fuels.

Multi-fuel engines

The Aurora-class vessel comes equipped with multi-fuel engines that can run on conventional fuels, including LNG, and biofuels. With minor modifications it can transition to use future zero carbon fuels, including green ammonia, said the carrier.

"It will be the largest and most environmentally friendly car carrier ever built," said Andreas Enger, ceo of Höegh Autoliners, adding that the series would allow the carrier to accelerate its decarbonisation efforts to meet its net-zero goal by 2040. The first vessel is scheduled for delivery by the end of 2023.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