Singapore Shipping Forum 2019

Current Shipping Developments and Green Shipping

The shipping industry needs to ready itself for an unprecedented pace of disruption and volatility in the years ahead, on the back of tightening environmental regulations and volatile geopolitical and macroeconomic conditions, according to speakers at the Singapore Shipping Forum 2019. This event, hosted annually by Moore Stephens, Singapore and organized in conjunction with co-sponsor BNP Paribas, Singapore was held at The Westin Singapore on 11 April 2019, in conjunction with the Singapore Maritime Week 2019, an event supported by both the Singapore Shipping Association (SSA) and the Maritime and Port Authority of Singapore. The session was well-attended by some 250 delegates.

Guest of Honour, Mr. Esben Poulsson delivering his opening address

Opening speech and Introduction to the Forum

This year's forum was opened by Mr. Esben Poulsson, President of the SSA, Chairman of the International Chamber of Shipping, Executive Chairman of Enesel, and who also serves on the Board of several companies and organisations. Mr. Poulsson spoke on the future of the industry and opined that the pace of changes and technological transformation will only pick up in the years ahead. The companies that successfully embrace these changes will flourish.

Mr. Mick Aw, Senior Partner of Moore Stephens, took to the stage with an introductory speech and kicked off the seminar with an overview of current industry issues

Thereafter, Mr. Mick Aw, Senior Partner of Moore Stephens LLP, took the stage to introduce the forum, and discussed briefly on the most critical issues facing the industry today. These include economic and geopolitical developments such as the US-China trade war and the Belt-Road Initiative, rapid and sudden market developments such as the Vale crisis in South America, tightening sources of financing for the industry, and upcoming stringent environmental regulations, some of which will require new technology.

Global Macroeconomic Update and Impact on Shipping

Ms. Tamara Henderson, ASEAN, Australia & New Zealand Economist at Bloomberg Economics, next spoke on megatrends affecting the global economy which include an aging global population coupled with slower global population growth, increased job insecurity as robots threaten livelihoods, and increasing economic headwinds. All of these have adverse implications on consumer spending that underpins the economy.

Ms. Henderson pointed out that the International Monetary Fund has warned about "synchronised deceleration" of global growth which can in turn threaten social security, and risks on the horizon include a potentially-disappointing US-China trade deal and new US tariff threats on the EU.

For the US, Bloomberg is forecasting slower growth but at levels above the long-term trend, and higher inflation but still benign. For China, Ms. Tamara points out that the growth forecast is at 6-6.5% with leading economic indicators pointing up; however, China production and exports are still under pressure. In Europe, Bloomberg sees slower growth in 2019 albeit gaining momentum in the second half. However, there are risk areas to be wary of, as Italy falls into recession, industrial activity sputters in Germany, and a no-deal Brexit looms on the horizon.

Ms. Tamara Henderson, ASEAN, Australia & New Zealand Economist at Bloomberg Economics on megatrends affecting the global economy

The Shipping Markets: The Journey towards IMO2020

Against this economic backdrop, Mr. John D'Ancona, Senior Analyst and Divisional Director – Dry Cargo at Clarksons Platou Asia, next took the stage to discuss the implications on the shipping market.

Mr. D'Ancona noted that while GDP growth appears to be constrained by trade uncertainties and other factors, global economic growth is only one factor affecting shipping demand and shipping profitability.

On shipping demand, Clarksons continues to expect positive seaborne trade growth for all commodities in 2019. These have been positive for all commodities in 2018 except grain. On shipping profitability, Mr. D'Ancona noted that this is influenced by not just shipping demand, but also shipping supply and sentiment.

Other than LNG carriers, shipping supply is returning to normal levels as fleet growth and shipyard output fall. Shipping sentiment, however is affected by factors such as uncertainty over IMO2020, albeit improving as the scrubber fleet crosses 2,500 and low sulphur fuel price is becoming less opaque.

Moving on to specific sectors, Mr. D'Ancona noted that earnings for containers are rising, but this is from a low base. Tanker earnings are also improving but remain volatile. However, bulker earnings crashed in early 2019 from a combination of factors including the trade war, and specific factors such as the bursting of the Vale dam in Brazil that led to production halts of Vale's iron ore mines with severe implications on the dry bulk sector. Despite this, bulker ship prices have remained relatively stable.

Mr. John D'Ancona, Senior Analyst and Divisional Director – Dry Cargo at Clarksons Platou Asia, providing insights to sector-specific performances

Shipping and the Environment – A Step Change

Shipping technology and regulation will transform to enable the industry to play its part in an increasingly-critical global push to preserve the environment, according to Mr. Guy Platten, Secretary-General of the International Chamber of Shipping.

Pointing to regulatory game changers such as IMO2020 as well as IMO's commitment

Mr. Guy Platten, Secretary-General of the International Chamber of Shipping discussing the future regulatory direction in shipping

to reduce greenhouse gas (GHG) emissions by at least 50% in 2050, Mr. Platten opined that the industry can expect even more pressure to come. Mr. Platten expects IMO2020 to be strictly enforced by IMO states, but this will be complex and create additional costs for the industry, estimated to be in excess of US$50 billion per year.

Although Fuel Oil Non-Availability Reports (FONAR) can be filed where low-sulphur fuel oil is unavailable, shipowners should not underestimate the comprehensive extent of the documentary evidence that needs to be collected before FONAR will be permitted.

Moving beyond 2020, Mr. Platten opined that the GHG reduction initiatives will result in the 4th propulsion revolution, as the GHG targets are unlikely to be achieved using current carbon propulsion systems. Massive research & development will be needed on top of radical infrastructural transformation. Mr. Platten further noted that some countries and non-governmental organisations are further considering unilateral action to speed up GHG reduction; however, Mr. Platten discouraged such initiatives which will add unnecessary pressure to the industry.

Ms. Marisa Dupuis, Vice President, Shipping & Offshore Finance, Investment Banking Asia Pacific, BNP Paribas Singapore speaking on green bonds, loans and sustainability-linked loans for shipping finance

Green Shipping Finance in APAC

The post-break session commenced with insights into how shipping can tap on green finance, delivered by Mr. Nicolas Parrot, Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific, BNP Paribas Singapore, and Ms. Marisa Dupuis, Vice President, Shipping & Offshore Finance, Investment Banking Asia Pacific, BNP Paribas Singapore.

Ms. Dupuis highlighted that sustainable finance comprised a broad variety of products including green bonds, green loans, and sustainability-linked loans (SLL). Green bonds and green loans can only be utilised for eligible capital expenditure that support the environment, such as scrubbers, ballast water treatment, LNG bunkering vessels, etc. SLL, however, can be deployed for working capital and general corporate purposes. All products require borrowers to be subject to annual independent certification on the extent of achievement against relevant sustainability frameworks.

According to Mr. Parrot, SLLs are a new frontier in terms of ship finance opportunities, due to the rapid growth of investors focusing on such loans, their appeal to non-bank investors driven by green mandates, their large growth potential as environmental awareness spreads, and their increasing relevance to shipping as IMO2020 and GHG limits escalate the industry's green expenditure.

Shipowners' Perspectives – Challenges & Opportunities

Mr. Alan Hatton, Managing Director of Foreguard Shipping, next took the stage to discuss the challenges and opportunities presented by the new shipping landscape.

Pointing to studies by Maritime Strategies International and the Maritime CEO, Mr. Hatton noted that there are widely-divergent views on the value of scrubbers arising from the spread between low-sulphur and high-sulphur bunker fuel oil. Shipowners need to act but at the same time expose themselves to risks arising from the lack of clarity in future bunker pricing.

Mr. Hatton considered that one way to manage this is an actively-managed capital structure that provides optionality through the transition period which is likely to see significant volatility in rates and asset values. Shipowners that decide to use low-sulphur fuel also need to contend with a myriad of issues including, inter alia, consistency and compatibility of fuel blends, fuel testing, legal and contracting issues, crew training, impact of the additional cost volatility on investors, and implementation of a cohesive and thorough fuel management process on a vessel by vessel basis.

The Practical and Environmental Benefits of LNG Dual-Fuel

Mr. Thomas Hansen, Commercial Director of Eastern Pacific Shipping (EPS) next took the stage to share his views on why EPS chose to power 6 of its new 15,000-TEU ships with dual-fuel LNG. According to Mr. Hansen, LNG as a fuel is clean, competitive, and future-proof. As a marine fuel, LNG can achieve reductions of more than 50% of carbon emissions, 95% of sulphur emissions, 80% of nitrogen emissions, and 100% of particulate emissions, when compared to first-generation 13,000 TEU vessels.

With various statistics, Mr. Hansen also demonstrated that LNG power is competitive in both fuel consumption and fuel availability, despite the common concern on LNG infrastructure availability. Mr. Hansen noted that as more customers, including many Fortune 500 companies, commit to sustain-

Mr. Nicolas Parrot, Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific on the growth potential of sustainability finance and their relevance to shipping

Mr. Alan Hatton, Managing Director of Foreguard Shipping, discussing the challenges and opportunities presented by the new shipping landscape

Mr. Thomas Hansen, Commercial Director of Eastern Pacific Shipping, sharing the case for dual-fuel LNG as a long-term green bunker solution ability goals, they will increasingly want to transport their goods on ships that perform best in terms of sustainability, which is currently LNG. Further, shippers will increasingly want to offer a freight premium for green shipping, while port discounts and rebates for the same will be increasingly available.

Panel Discussion

The seminar ended with a panel discussion, moderated by Mr. Chris Johnson, Partner and Head of Shipping, Moore Stephens LLP Singapore, and Mr. Andrew Gallagher, Partner, Moore Stephens LLP Monaco. Topics discussed focused on a wide variety of subjects including the shipping outlook, finance, technology, and commercial aspects of dealing with green regulations.

Panellists agreed that despite the challenges there continue to be reasons to remain optimistic in shipping. The current changes are exciting and while they create volatility and uncertainty, they also create opportunities. In relation to financing, panellists agreed that ship financing continues to remain restricted despite the rise of new financing sources e.g. leasing. On technology, panellists noted that certain technologies threaten the longer-term demand for shipping, such as 3D printing and similar technologies that facilitate localised and customised manufacturing thereby reducing the need to ship. However in the shorter-term, technology seems to be the answer for shipping's immediate concerns such as the IMO GHG targets.

Finally, panellists touched on the commercial aspects of the environmental regulations. Panellists noted that the key challenge relating to these regulations, is uncertainty, and ship owners who make the wrong decisions face potentially serious financial consequences. Panellists agreed that robust risk management will be key to navigating the uncertainties and ensuring that any potential fallouts from incorrect decisions remain manageable.

Conclusion

The event ended at 1.00pm, followed by a lively post-event networking lunch session.

Mr. Chris Johnson, Partner and Head of Shipping, Moore Stephens LLP Singapore providing an introduction to the panel discussion

Mr. Andrew Gallagher, Partner, Moore Stephens LLP Monaco, moderating the panel discussion

Panellists from Left to Right: Mr. Nicolas Parrot, BNP Paribas Singapore, Mr. Rahul Kapoor, Bloomberg Intelligence, Mr. Thomas Hansen, Eastern Pacific Shipping, Mr. Guy Platten, International Chamber of Shipping, Mr. Alan Hatton, Foreguard Shipping and Mr. John D'Ancona, Clarksons Platou

SINGAPORE SHIPPING FORUM 2019

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From Left to Right: Guy Platten (Secretary-General, International Chamber of Shipping), Martin Crawford-Brunt (Chief Executive Officer, RightShip), Wong Koon Min (Partner, Moore Stephens LLP Singapore)

From Left to Right: Lim Peng Huat (Director of Taxation, Complete Corporate Services), Malcolm Pedley (Deputy Director, West of England, P&I Club), Wong Koon Min (Partner, Moore Stephens LLP

From Left to Right: Wong Koon Min (Partner, Moore Stephens LLP Singapore), Stephen Fordham (Chairman, Masterbulk), Astrini Prajogo (Manager, Masterbulk), Bjoern Sprotte (Chief Operating Officer, OSM Ship Management), Ninad Sharad Mhatre (Deputy Managing Director, Zeaborn Ship Management), Adrian See (Vice President, Finance and Accounting, Masterbulk)

From Left to Right: Thierry Langlois (CFO, D'Amico Shipping Singapore), Antonia d'Amico (Director, D'Amico Shipping Singapore), Andrew Gallagher (Partner, Moore Stephens LLP Monaco)

From Left to Right: Wong Koon Min (Partner, Moore Stephens LLP Singapore), Philip Tay (Chief Executive Officer, Apex Ship Management), Timothy Hartnoll (Director, X Press Feeders)

From Left to Right: Rajaish Bajpaee (Ex-Chairman, Bernhard Schulte Shipmanagement), Dorte Bech Vizard (Ambassador, Royal Danish Embassy)

From Left to Right: Gina Lee-Wan (Partner and Co-head of Maritime & Aviation, Allen & Gledhill LLP), Bernice Yeoh (Director, Strategy and Policy, Maritime Port and Authority of Singapore), Rajaish Bajpaee (Ex-Chairman, Bernhard Schulte Shipmanagement)

From Left to Right: Chris Johnson (Partner and Head of Shipping, Moore Stephens LLP Singapore), Gautam Sham Chellaram (CEO, Chellsea)

From Left to Right: Andrew Gallagher (Partner, Moore Stephens LLP Monaco), Nicolas Parrot (Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific, BNP Paribas Singapore), Rahul Kapoor (Senior Analyst, Asia Transportation, Bloomberg Intelligence), Thomas Hansen (Commercial Director, Eastern Pacific Shipping), Guy Platten (Secretary-General, International Chamber of Shipping), Alan Hatton (Managing Director, Foreguard Shipping), Esben Poulsson (President, SSA; Chairman, ICS; Board member, MPA; Executive Chairman, Enesel; and others), John D'Ancona (Senior Analyst, Divisional Director-Dry Cargo, Clarksons Platou Asia), Mick Aw (Senior Partner, Moore Stephens LLP Singapore), Marisa Dupuis (Vice President, Shipping & Offshore Finance, Investment Banking Asia Pacific, BNP Paribas Singapore), Chris Johnson (Partner and Head of Shipping, Moore Stephens LLP Singapore)

PRESS REPORT - TRADEWINDS


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Environmental issues top agenda during Singapore Maritime Week

Alan Hatton predicts smoother sailing for smaller ships post-IMO 2020

April 17th, 2019 21:46 GMT by **Jonathan Boonzaier**

Foreguard Shipping managing director Alan Hatton expects operators of smaller-size ships to face less IMO 2020 volatility as few such vessels will be scrubber-fitted.

This is in contrast to the larger-size segments, where scrubber-equipped vessels may or may not have the competitive edge over vessels that will run on low-sulphur fuel.

Speaking at a Moore Stephens forum in Singapore, Hatton said the smaller-size sectors are somewhat insulated as most vessels that operate in these markets will not be fitted with scrubbers.

"Almost all the ships in the sectors we operate in will run on compliant fuel. There will be much more of a level playing field," he said.

Foreguard's fleet comprises four handysize product tankers, two small LPG carriers and an anchor handling tug supply vessel.

"It didn't make sense for us to fit scrubbers on these ships," Hatton explained.

Owners and operators ‘gambling’ on future fuel price spread

As the future price difference between compliant fuel and non-compliant fuel for the IMO 2020 sulphur cap is still anyone’s guess, some owners and operators are using scrubbers as an economic opportunity and a risk management measure, a Singapore shipping forum is told

11 Apr 2019 | **ANALYSIS**

by Cichen Shen | cichen.shen@informa.com

Eastern Pacific Shipping commercial director Thomas Hansen says that a scrubber-fitted fleet can be used by major liner shipping carriers as a ‘nuclear bomb’ to wipe out any competitors because such a fleet provides a $400 price spread between heavy bunker fuel and compliant fuel

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SHIPPING is gambling on the price spread between high- and low-sulphur fuels in the run-up to the 2020 emission requirement by the International Maritime Organisation, an industry conference was told.

With enough of a gap, owners that have scrubbers on their vessels can not only profit from the onboard exhaust gas cleaning system but even win out over those that opt for other solutions to meet the 0.5% sulphur content cap.

In container shipping, a carrier with scrubbers throughout its fleet can turn that technology into a “nuclear bomb” and weed out any competitors, provided that there is a $400 fuel price differential, according to Eastern Pacific Shipping commercial director Thomas Hansen.

Speaking at Moore Stephens’ Singapore Shipping Forum, Mr Hansen noted that major shipping lines had already diverged from each other on their 2020 fuel strategies.

One case in point, he added, was the difference between the world’s largest carrier Maersk Line and the runner up Mediterranean Shipping Co, with the former being a scrubber sceptic and the latter a scrubber proponent.

Singapore-based EPS, with a diversified fleet of more than 200 vessels, late last year secured loans from BNP Paribas to put scrubbers on 16 of its ships, sending the total tally to 48 units.

“We are doing this mostly because we feel it’s an economic opportunity, but also because it’s a risk management step to take,” Mr Hasen said. “We don’t know what fuel will be available, we don’t how the fuel will function and what the price will be.”

His fellow speaker, Foreguard Shipping managing director Alan Hatton, described owners and operators as sitting in a “shipping casino” on the future fuel price spread.

“No one knows the answer, and there are incredibly different answers out there.”

He quoted consultancy MSI’s forecast as saying that the compliant fuels could be $200-$300 more expensive than the current heavy bunker fuel oil being used by the industry. At the same time, predictions by some on the low end of the range were below $50.

His company — that owns and controls a small fleet consisting of four chemical tankers, two liquefied petroleum gas carriers and one tug vessel — chooses a non-scrubber path, at least for now.

“We are waiting to see the price after 2020.”

Most owners investing in scrubbers assumed the compliant fuels would trade at price premiums of more than $200 so that they could recoup their spending in a fairly short period, Lloyd’s Register Asia’s regional consultancy manager Douglas Raitt earlier told Lloyd’s List.

While a price spread of $30-45 per tonne between high-sulphur fuel oil and very low-sulphur fuel oil in today’s market does not bode well for that investment, he pointed out that the final figures would likely to be different closer to 2020 as the supply and demand picture of those fuels changes.

“The unknown surrounding us is enormous,” said Clarksons senior analyst John D’Ancona.

He noted that the industry built lots of non-eco designed ships in 2010-2012 and some owners may want to bet on the cost advantages to be brought by scrubbers to revive their competitiveness.

“The non-eco ships could have become obsolete unless you installed scrubbers on them and suddenly they can beat up some ecos.”

News Dailies Issue 5 | Friday, 12 April 2019

SINGAPORE maritime week 2019

BANKS JOIN THE MOVEMENT TO CLEAN UP THE SEAS

New forms of sustainable financing to move the green agenda in shipping

Jacqueline Woo
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Photo: Sean Lee

Demand for green shipping loans are likely to grow, according to Mr Nicolas Parrot, Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific at BNP Paribas Singapore.

Global shipping is seeing the green shoots of financing with new, innovative products that have come up in recent years: green and sustainable loans.

This trend has been driven by stricter environmental regulations, such as the impending IMO2020 sulphur cap, ballast water management rules, and the global target for greenhouse gas emissions to be halved in 2050, compared with 2008.

"I think it's no secret that the shipping sector is a major contributor to CO2 emissions. Climate action is one of the European Investment Bank's (EIB) top priorities, and this type of financing should be seen as an incentive for ship owners to consider doing things differently," said EIB President Werner Hoyer in a press release in February last year.

He was referring to the deal the EIB inked with Dutch multinational bank ING back then to support green investments in the European shipping market for a total of €300 million.

"The facility... aims to help the shipping sector transition to a greener future."

Green financing tools

Green or sustainable shipping finance comprise mainly two products: green bonds and green loans, and sustainability-linked loans, explained Mr Nicolas Parrot, Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific at BNP Paribas Singapore.

The key feature of green bonds and green loans, as opposed to traditional sources of financing, is that proceeds must be used to provide clear environmental benefits, he said.

Green loans are used to finance sustainable projects or assets, from ballast water treatment systems to liquefied natural gas engines and propellers, and scrubbers.

"(They) open the doors for more shipping companies to be certified green, taking them further on their sustainability journey," Mr Parrot said.

Sustainability-linked loans, on the other hand, are designed to incentivise the borrower to achieve ambitious, pre-determined sustainability performance objectives, he noted.

Put simply, when the borrower achieves a pre-determined target and shows a clear improvement in his sustainability performance, the margin or interest rate on his loan will then be reduced. But if he falls short of the target and clocks higher carbon emissions, for example, interest rates may go up.

Rising demand

In an industry that has its hands tied with limited access to finance – the result of massive overcapacity and piling debt levels in the last few years – such innovative loans have been welcome.

After all, for many companies, having the financial ability to retrofit their ships with scrubbers or access compliant fuels to meet the new rules is critical for their survival.

Within the Asia Pacific, Singapore-based shipowner Quantum Pacific Shipping in November entered into a US$40 million green loan with BNP Paribas for scrubbers – the first of its kind in the region.

Japanese shipping giant NYK Line has also closed a ¥2 billion loan to build its first methanol-fueled chemical tanker, and a ¥9 billion syndicated loan agreement for scrubbers.

Demand for such loans is only set to grow.

Mr Parrot said BNP Paribas is expecting higher interest for green financing from shipowners this year. "It provides funding source diversification, and the tightening of environmental regulations will promote the use of new technologies. These capex are ideal targets for green shipping products," he said.

"Going green is no longer an option today – it's becoming an industry standard." ▪

> "Climate action is one of the European Investment Bank's top priorities, and this type of financing should be seen as an incentive for ship owners to consider doing things differently."
>
> ***Dr Werner Hoyer***
> ***President***
> ***European Investment Bank***

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SINGAPORE maritime week 2019

ARE CHARTERERS READY TO REPORT HIGHER DEBT LEVELS THIS YEAR?

Wong Koon Min
Partner, Moore Stephens

As the year 2020 approaches, shipping players across the world are scrambling to prepare for the upcoming sulphur cap set by the International Maritime Organization.

But that is not the only change that is taking place in the maritime industry.

On Jan 1 this year, new lease accounting requirements kicked in, with Moody's Investors Service describing them as "one of the most transformative accounting changes in recent history".

The IFRS 16 Leases and the Singapore-equivalent pronouncements FRS 16 and SFRS(I) 16[1] now require charterers to capitalise or record future charter payments as a liability on their balance sheet. Previously, future charter payments were mostly off-balance sheet and expensed only as incurred, except for long charters stretching over most of the economic life of the ships.

The moves are a step in the right direction, bringing higher levels of transparency to the balance sheet.

But this also means that many charterers are likely to report higher liabilities and gearing (debt-to-equity ratio) this year. Previously, most charterers would have reported low or even no liabilities associated with their charter contracts.

Since a higher debt level inevitably affects a company's financial metrics, with possible consequences on bank agreements and key performance indicators, it will benefit charterers to have prepared for it in advance.

It is important to note that the new rules differ for various ship charters. For example, ship charters of less than one year are not capitalised or recorded.

Most voyage charters do not need to be capitalised either because the new requirements target only charter-parties, where control of the ship – in terms of decisions such as ship route, cargo, voyage speed and so on – is passed to the charterer. For voyage charters, these decisions are usually not dictated by the charterers.

In addition, not all charter payments are capitalised. For example, charter payments that vary based on a charterer's revenues or profits do not need to be capitalised.

Further, charter-parties may comprise different streams of revenue. Take, for instance, a time charter-party that comprises revenue from both the underlying bareboat charter and services, such as the provision of crew. In such a contract, the charterer might choose to capitalise only the bareboat charter revenue, subject to certain criteria.

The new leasing requirements will have less impact on shipowners who charter out their ships, as the accounting by lessors is largely unchanged. For lessors, the distinction between finance and operating leases remains, based on whether the charter-party transfers all the substantial risks and rewards incidental to the owners of the ship.

With a significant number of charterers likely to be affected by the new rules, it is important that they make the relevant preparations in advance. Negotiation and the proper structuring of charter-party clauses, with a clear understanding of their financial implications under the new leasing requirements, will be crucial to minimising any unintended financial consequences. ▪

[1] *IFRS, FRS and SFRS(I) are abbreviations for International Financial Reporting Standards, Singapore Financial Reporting Standards and Singapore Financial Reporting Standards (International) respectively.*

The writer is a partner at accounting and consulting firm Moore Stephens, with more than 15 years of public accounting experience in Singapore.

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SINGAPORE maritime week 2019

POWERING FORWARD WITH LNG

Jacqueline Woo
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Mr Thomas Hansen, Commercial Director of Eastern Pacific Shipping, believes in taking the lead in green shipping with LNG.

Photo: Sean Lee

In its push for a more sustainable future, the shipping industry has found itself awash with uncertainties.

But Mr Thomas Hansen, Commercial Director of ship management company Eastern Pacific Shipping, believes that "future-proof" liquefied natural gas (LNG) is the way to go – at least for now.

Last month, the Singapore-based firm exercised an option from a 2017 order and requested for another six 15,000 standard-sized boxships. The new dual-fuel ships will run on LNG.

Shipping, which has been reliant on dirty heavy fuel oil, is under mounting pressure to clean up its act. The International Maritime Organization has set a target for the industry's annual greenhouse gas emissions to be halved by 2050.

Speaking at the Moore Stephens Singapore Shipping Forum yesterday, Mr Hansen cited the merits of the firm's upcoming LNG dual-fuel ships.

They will reduce carbon emissions by half compared to its first-generation vessels, slash sulphur oxides by 95 per cent, cut nitrogen oxides by 80 per cent, and eliminate particulate emissions.

"Are we meeting the IMO2050 target? We don't know yet. But we're ready to see how far (we can go) before that comes out. That's very meaningful reduction," he said.

LNG is the cleanest burning fossil fuel, although observers have noted its inherent drawbacks, such as the risk of methane slips in the supply chain.

At the sides of the event, Mr Hansen noted there are many ship fuel options available, but "very few of them actually viable to be introduced, implemented and adapted today".

Pointing to how the oil majors have invested heavily in LNG, he said the gas will set the course for shipowners until the next best fuel becomes available – "but that's unlikely to happen in the next 10, 15 years".

"So is LNG a temporary fuel? Maybe. But is it temporary for 10 years, or 30, 40 years?" he said.

"Our ships are unlikely to last beyond 20, 25 years, which doesn't even bring us to 2050. If we don't take a lead now, and we just rely on fuel oil, we're not going to get anywhere." ▪

PRESS REPORT - ISHIPOFFSHORE

网站首页 > Shipping

SINGAPORE SHIPPING FORUM 2019: CURRENT SHIPPING DEVELOPMENTS AND GREEN SHIPPING

2019-4-16 20:51:55 来源：MOORE STEPHENS LLP

MOORE STEPHENS LLP

SINGAPORE SHIPPING FORUM 2019: CURRENT SHIPPING DEVELOPMENTS AND GREEN SHIPPING

The shipping industry needs to ready itself for an unprecedented pace of disruption and volatility in the years ahead, on the back of tightening environmental regulations and volatile geopolitical and macroeconomic conditions, according to speakers at the Singapore Shipping Forum 2019. This event, hosted annually by Moore Stephens, and organized in conjunction with co-sponsor BNP Paribas, was held at The Westin Singapore on 11 April 2019, in conjunction with the Singapore Maritime Week 2019, an event supported by both the Singapore Shipping Association (SSA) and the Maritime and Port Authority of Singapore. The session was well-attended by more than 200 delegates.

Opening speech and Introduction to the Forum

This year's forum was opened by Mr. Esben Poulsson, President of the SSA, Chairman of the International Chamber of Shipping, Executive Chairman of Enesel, and who also serves on the Board of several companies and organisations. Mr. Poulsson spoke on the future of the industry and opined that the pace of changes and technological transformation will only pick up in the years ahead. The companies that successfully embrace these changes will flourish. Thereafter, Mr. Mick Aw, Senior Partner of Moore Stephens LLP, took the stage to introduce the forum, and discussed briefly on the most critical issues facing the industry today. These include economic and geopolitical developments such as the US-China trade war and the Belt-Road Initiative, rapid and sudden market developments such as the Vale crisis in South America, tightening sources of financing for the industry, and upcoming stringent environmental regulations, some of which will require new technology.

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The Shipping Markets: The "Bumpy" Journey towards IMO2020

Against this economic backdrop, Mr. John D' Ancona, Senior Analyst and Divisional Director – Dry Cargo at Clarksons Platou Asia, next took the stage to discuss the implications on the shipping market. Mr. D' Ancona noted that while GDP growth appears to be constrained by trade uncertainties and other factors, global economic growth is only one factor affecting shipping demand and shipping profitability. On shipping demand, Clarksons continues to expect positive seaborne trade growth for all commodities in 2019. These have been positive for all commodities in 2018 except grain. On shipping profitability, Mr. D' Ancona noted that this is influenced by not just shipping demand, but also shipping supply and sentiment. Other than LNG carriers, shipping supply is returning to normal levels as fleet growth and shipyard output fall. Shipping sentiment, however is affected by factors such as uncertainty over IMO2020, albeit improving as the scrubber fleet crosses 2,500 and low sulphur fuel price is becoming less opaque. Moving on to specific sectors, Mr. D' Ancona noted that earnings for containers are rising, but this is from a low base. Tanker earnings are also improving but remain volatile. However, bulker earnings crashed in early 2019 from a combination of factors including the trade war, and specific factors such as the bursting of the Vale dam in Brazil that led to production halts of Vale's iron ore mines with severe implications on the dry bulk sector. Despite this, bulker ship prices have remained relatively stable.

Shipping and the Environment – A Step Change

Shipping technology and regulation will transform to enable the industry to play its part in an increasingly-critical global push to preserve the environment, according to Mr. Guy Platten, Secretary-General of the International Chamber of Shipping. Pointing to regulatory game changers such as IMO2020 as well as IMO's commitment to reduce greenhouse gas (GHG) emissions by at least 50% in 2050, Mr. Platten opined that the industry can expect even more pressure to come. Mr. Platten expects IMO2020 to be strictly enforced by IMO states, but this will be complex and create additional costs for the industry, estimated to be in excess of $50 billion per year. Although Fuel Oil Non-Availability Reports (FONAR) can be filed where low-sulphur fuel oil is unavailable, shipowners should not underestimate the comprehensive extent of the documentary evidence that needs to be collected before FONAR will be permitted. Moving beyond 2020, Mr. Platten opined that the GHG reduction initiatives will result in the 4th propulsion revolution, as the GHG targets are unlikely to be achieved using current carbon propulsion systems. Massive research & development will be needed on top of radical infrastructural transformation. Mr. Platten further noted that some countries and non-governmental organisations are further considering unilateral action to speed up GHG reduction; however, Mr. Platten discouraged such initiatives which will add unnecessary pressure to the industry.

Green Shipping Finance in APAC

The post-break session commenced with insights into how shipping can tap on green finance, delivered by Mr. Nicolas Parrot, Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific, BNP Paribas Singapore, and Ms. Marisa Dupuis, Vice President, Shipping & Offshore Finance, Investment Banking Asia Pacific, BNP Paribas Singapore. Ms. Dupuis highlighted that sustainable finance comprised a broad variety of products including green bonds, green loans, and sustainability-linked loans (SLL). Green bonds and green loans can only be utilised for eligible capital expenditure that support the environment, such as scrubbers, ballast water treatment, LNG bunkering vessels, etc. SLL, however, can be deployed for working capital and general corporate purposes. All products require borrowers to be subject to annual independent certification on the extent of achievement against relevant sustainability frameworks. According to Mr. Parrot, SLLs are a new frontier in terms of ship finance opportunities, due to the rapid growth of investors focusing on such loans, their appeal to non-bank investors driven by green mandates, their large growth potential as environmental awareness spreads, and their increasing relevance to shipping as IMO2020 and GHG limits escalate the industry's green expenditure.

Shipowners' Perspectives – Challenges & Opportunities

Mr. Alan Hatton, Managing Director of Foreguard Shipping, next took the stage to discuss the challenges and opportunities presented by the new shipping landscape. Pointing to studies by Maritime Strategies International and the Maritime CEO, Mr. Hatton noted that there are widely-divergent views on the value of scrubbers arising from the spread between low-sulphur and high-sulphur bunker fuel oil. Shipowners need to act but at the same time expose themselves to risks arising from the lack of clarity in future bunker pricing. Mr. Hatton considered that one way to manage this is an actively-managed capital structure that provides optionality through the transition period which is likely to see significant volatility in rates and asset values. Shipowners that decide to use low-sulphur fuel also need to contend with a myriad of issues including, inter alia, consistency and compatibility of sustainability, which is currently LNG. Further, shippers will increasingly want to offer a freight premium for green shipping, while port discounts and rebates for the same will be increasingly available.

Panel Discussion

The seminar ended with a panel discussion, moderated by Mr. Chris Johnson, Partner and Head of Shipping, Moore Stephens LLP Singapore, and Mr. Andrew Gallagher, Partner, Moore Stephens LLP Monaco. Topics discussed focused on a wide variety of subjects including the shipping outlook, finance, technology, and commercial aspects of dealing with green regulations. Panellists agreed that despite the challenges there continue to be reasons to remain optimistic in shipping. The current changes are exciting and while they create volatility and uncertainty, they also create opportunities. In relation to financing, panellists agreed that ship financing continue to remain restricted despite the rise of new financing sources e.g. leasing. On technology, panellists noted that certain technologies threaten the longer-term demand for shipping, such as 3D printing and similar technologies that facilitate localised and customised manufacturing thereby reducing the need to ship. However in the shorter-term, technology seems to be the answer for shipping's immediate concerns such as the IMO GHG targets. Finally, panellists touched on the commercial aspects of the environmental regulations. Panellists noted that the key challenge relating to these regulations, is uncertainty, and ship owners who make the wrong decisions face potentially serious financial consequences. Panellists agreed that robust risk management will be key to navigating the uncertainties and ensuring that any potential fallouts from incorrect decisions remain manageable.

Conclusion

The event ended at 1.00pm, followed by a lively post-event networking lunch session.

PRESS REPORT - BUSINESS TIMES

STRAIT TALK

Shipping confidence up despite ongoing geopolitical uncertainty

WED, APR 03, 2019 - 5:50 AM

DAVID HUGHES

SINCE 2008, shipping accountant Moore Stephens has produced its insightful quarterly Shipping Confidence Survey. However, back in February a press release announced that the firm had merged with another accountancy group, BDO, and the Moore Stephens name would disappear. So it is now the BDO Shipping Confidence Survey.

Confusingly, I have been invited to the Singapore Shipping Forum 2019, which will consider Current Shipping Developments and Green Shipping, to be held on April 11 at The Westin. According to the invitation, it will be hosted by Moore Stephens LLP and BNP Paribas Singapore as part of the wider Singapore Maritime Week and supported by the Singapore Shipping Association. After some research into the matter, it turns out that the global Moore Stephens network, including Moore Stephens LLP of Singapore and even Moore Stephens UK , is still very much alive and well. However, Moore Stephens LLP, in the UK only, has parted company with the other firms of the same name and is now BDO, which produces the survey.

Whatever the name of the host, the seminar looks looks like it will be well worth attending. According to the invitation, it aims to provide updates and insights on critical industry and market developments, and provide a platform for shipowners, financiers and other industry players to network and interact. "This year," it says, "being the final year before the IMO 2020 rules take effect, the seminar casts additional spotlight on shipping environment issues, offering insights into the latest regulatory developments, updates on the industry's compliance readiness, and potential financing solutions for the industry to tap on."

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