



BIMCO

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Momentum for LNG-fuelled vessels grows

“Last done” – the
perils and pitfalls of
charter parties

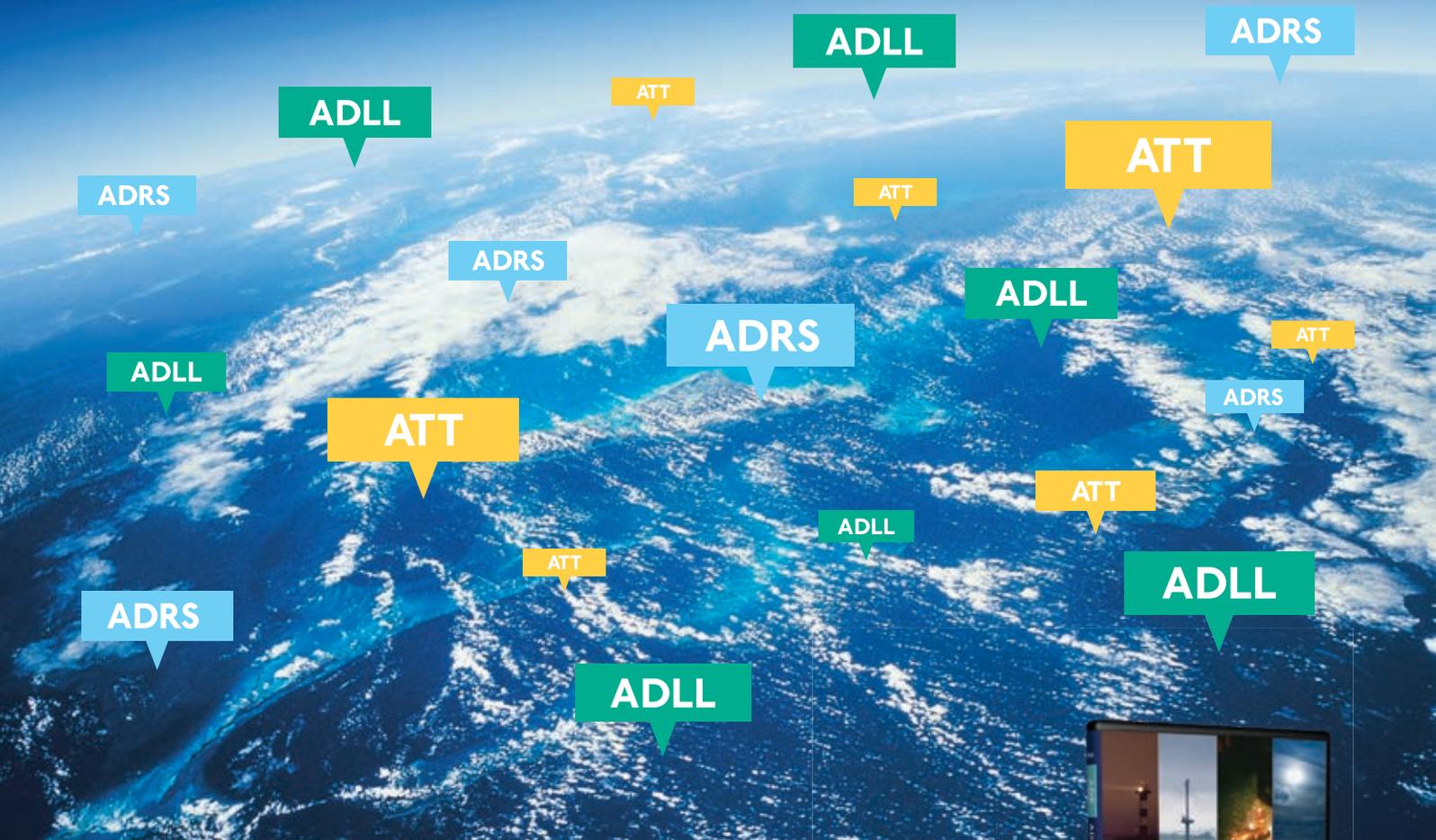


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The gas-powered Ro/Ro passenger ferry Stavangerfjord being refuelled in Norway.



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PMSCs can now apply for associate membership

BIMCO has formally started the process of accepting applications from Private Maritime Security Companies (PMSCs) for associate membership – now that certification bodies have been accredited.



We recognise the crucial importance of the acceptance of a single global standard for companies offering security services on board ships.

PMSCs wishing to join BIMCO must commit to ISO 28007 implementation and certification before starting the application process for membership. Once certified, they will also be vetted using an internal process before being approved.

Companies that are successful will then be added to BIMCO's "whitelist" of PMSCs which all members may access to find the

BIMCO approved providers of maritime security services.

A common standard

In May, we plan to advocate at IMO's Maritime Security Committee that only one common standard is acceptable, audited by an accredited independent third party auditor.

PMSCs who wish to apply should see the "Joining BIMCO" pages on the website (www.bimco.org) for details on requirements and benefits of associate membership.

Reality and necessity

As Giles Noakes, Chief Maritime Security

Officer at BIMCO, said recently: “65% of the world’s global fleet are members of BIMCO. PMSCs are currently a reality and a necessity for our members operating in areas of where there is a high risk of piracy for shipping. We recognise this reality and the crucial importance of the acceptance of a single global standard for companies offering security services on-board ships.

Whilst piracy is still a reality for our members, BIMCO will continue to work to ensure the services they need to protect crew and cargo are reputable and certificated to the highest standard.”

Some questions and answers

Why has BIMCO chosen to extend its membership this way?

Sixty-five per cent. of the world’s global fleet are members of BIMCO and piracy is a dangerous threat to crew and cargo operating in high risk areas. We cannot ignore this threat, or the PMSCs that are offering security services to shipping.

The best way of ensuring these security services are the safest, best and most reputable is to ensure acceptance of a single global standard. This standard, ISO 28007, driven by IMO is a requirement for any PMSC wishing to join BIMCO.

BIMCO is working for its members on this issue – we produced GUARDCON where there was a serious need prior to any established regulation or guidance to protect owners from potential liabilities and risks.

Our entry criteria for PMSCs supports the sole use of one global standard of the highest standard – at a time when alternative standards are being considered that we believe are not fit for purpose as a standard and could lead to greater risks for the seafarer.

Is membership a commercial advantage for PMSCs?

PMSCs who join BIMCO of course have the benefit of our long-standing reputation all over the world – but fundamentally their membership is based on their fulfilment of global standards for these security services and our internal vetting process.

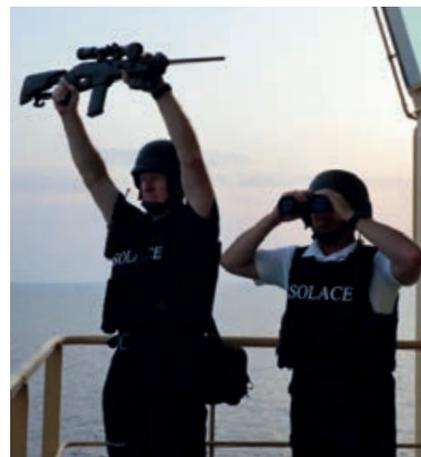
They will then be part of open, professional dialogue with the shipping industry

they are providing services for. Other members will then be able to access BIMCO’s ‘whitelist’ of PMSC members, with confidence that they are certificated to the best existing standard and have been individually vetted by BIMCO.

Will this be of benefit to other BIMCO members?

We have to look at the reality of the situation. Piracy is a major issue for many of our members. Until such time as security services are no longer required, we have a responsibility to our members to support the global standard and certification that provides a benchmark for using these services with confidence.

We are confident that our requirement for PMSCs to be ISO 28007 certified and also our vetting and due diligence process will



only allow the most professional PMSCs to join.

We feel by doing this we are sending a message to both our members and all ship owners about PMSC regulation and standards and equally to the international community that if we are to be forced down this road we will do it safely, professionally and minimise the risks to seafarers as best possible. ■■



BIMCO Education round-up

BIMCO holds three-day seminar on marine cargo claims in Rotterdam and Masterclass on Bills of Lading in Montreal.

Rotterdam seminar on Cargo Claims 12-14 March

Over the years, BIMCO has received many requests from those attending BIMCO Masterclass Workshops on Charter Parties and Bills of Lading to organise a course which concentrates on the specific issues which arise when goods are damaged, lost or delayed during transit.

In response to these requests, BIMCO has launched a course on Marine Cargo Claims, the purpose and intention of which is to examine these issues in detail. This three-day seminar focuses on the legal liabilities of carriers and the practical issues, which arise when claims are made against ships, including the mechanics of pursuing and defending cargo claims.

The course is a mixture of presentations on various relevant aspects as well as two comprehensive case studies, which consider a variety of these issues in the context of some common day-to-day scenarios. It is a highly interactive seminar where participants often share experiences of interest with the speakers and other attendees.

Rotterdam port tour

Even though it's not part of the official pro-



Richard Williams on "Governing Contract of Carriage", Cargo Claims in Rotterdam.

gramme, BIMCO course organiser Peter Grube always tries to arrange a tour of a (small) part of the port of Rotterdam by Rotterdam Water Taxi for interested participants. It is a time charter (about 1 hour) in the early evening, and always depends on the weather.

However, for those not necessarily working in or around a big port on a daily basis, it can provide a fascinating view of the port from a different perspective and give a good idea of the sheer diversity of the shipping

business. Vessels as diverse as the *Orange Star*, the largest orange juice carrier ever built for the transportation of refrigerated fresh fruit juice, to highly specialised piper layers, were seen this time.

Masterclass on Bills of Lading, Montreal 9-11 April.

The Masterclass on Bills of Lading is always popular with our participants and it serves as a common thread between some of the other Masterclasses, such as Time Charter, Voyage Chartering and Laytime and Demurrage. All of these, in one way or another, touch upon Bills of Lading.

The Masterclass in Montreal attracted 27 delegates, mainly from the US and Canada. Jonathan Elvey and James Hickland from Ince & Co. in London skilfully conducted the Masterclass, which was very well received. Encouraging feedback was received from participants:

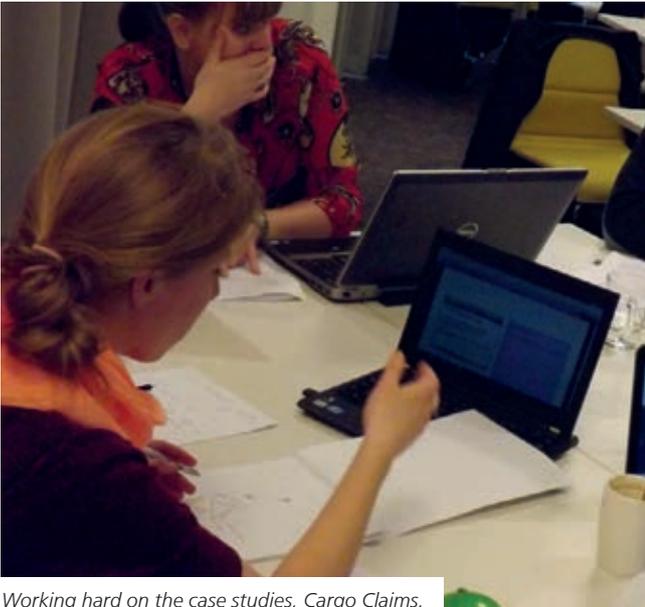
"I thought I knew about B/L's having worked with them for many years. This is an eye opener since I came into the business of 'doing'. Now I know better why I am 'doing'"

"The case studies were an excellent tool to reinforce the material covered during class"

"Great presentations. Definitely learned a lot!" ■■



Baris Soyler, Cargo Claims in Rotterdam.



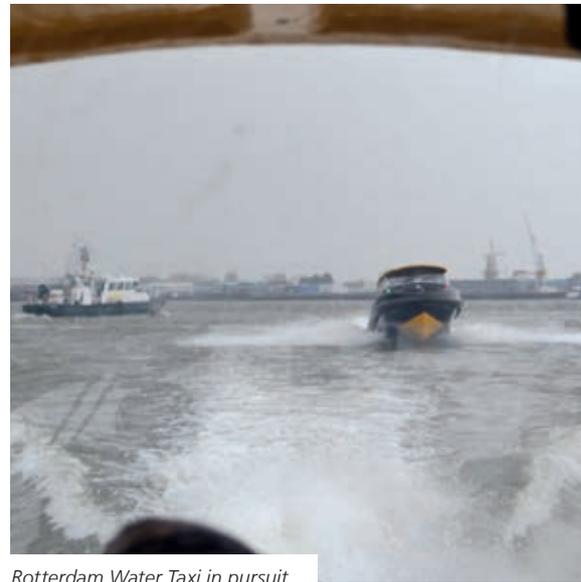
Working hard on the case studies, Cargo Claims.



Negotiating the Cargo Claim (case study).



Orange Star, 37,000 DWT juice tanker alongside discharging in Rotterdam.



Rotterdam Water Taxi in pursuit.



Jonathan Elvey, Ince & Co. at the Masterclass on Bills of Lading in Montreal.



Jonathan Elvey, Ince & Co. at the Masterclass on Bills of Lading in Montreal.

BIMCO eLearning offers free offline study material

This year sees another improvement in BIMCO's eLearning system. In response to popular demand, all our students will be offered an offline version of the digital book free of charge.

BIMCO eLearning has kicked off the year with its most popular subject by far, *Bills of Lading*, with a well-balanced group consisting of participants from the UK, Russia, Switzerland, Singapore, the UAE, Denmark and more.

This is not only the first group of the year, but also the first one that will be offered an offline version of the digital book, which is the main study material.

Entirely web-based

BIMCO's eLearning courses are entirely web-based and the core element of them is a comprehensive digital book that explains the subject in question in great detail and with interactive elements. The book can be accessed at anytime, anywhere – as long as an internet connection is available. However, until now, its technical complexity did not allow offline access or printing.

Responding to demand

For some time now, former eLearning students have expressed a wish for an offline version of the book to accommodate different learning styles. In the light of this, BIMCO has decided to produce offline versions of all the digital books to accompany the course of study.

As a complement to the highly interactive online environment, these offline books can be downloaded to both PC and tablets for reading at any time, or to be printed out for those who are more comfortable working with paper copies.

This also give the participants the opportunity to search certain subjects and refresh their knowledge later on.

Contact us

For further information, please see the BIMCO website or contact us at the following e-mail address: education@bimco.org ||

Key Benefits

- Study with the world's leading shipping organisation, sharing its expertise on core subjects
- Great flexibility – learn at your own pace and convenience, anytime, anywhere
- Lower overall cost – save business days; no need for travel
- Easy access - unique user name, with all study material just a click away
- Networking opportunities with expert tutors and international peers
- Wide range of study support - online teaching, case studies, discussion forum, interactive tutoring and written feedback
- End of session testing and final tests to assess study outcome
- Final online open-book exam which leads to award of the BIMCO Certificate
- Free offline copy of the course material for future reference

About BIMCO eLearning courses

- Entirely web-based, working in groups
- Digital textbook explains topics in great detail, with examples and interactive material
- Three online teaching sessions built around case studies
- Teaching sessions fully recorded for unlimited review afterwards
- Accommodates different time zones
- Great discount possibilities for members, "early birds" and groups
- Individual modules can be combined for a BIMCO eLearning Diploma



BIMCO eLearning participants come from all over the world...



Welcome to BIMCO!

BIMCO would like to extend a warm welcome to the following new members, admitted during the period from 1 February 2014 to 31 March 2014.

Owner Members

Murarrie, QLD, Australia

Piraeus, Greece

Piraeus, Greece

Zoetermeer, The Netherlands

Lisbon, Portugal

Singapore

Singapore

Singapore

Istanbul, Turkey

Dubai, United Arab Emirates

London, United Kingdom

Lot 50 Pty. Ltd.

Navios Tankers Management Inc.

Ploes Oceanic Corp.

Technip Benelux BV

Portuscale Cruises – Cruise Management

Unipessoal, Lda.

Eastern Pacific Shipping Pte. Ltd.

Penguin International Ltd.

Mercator Lines (Singapore) Ltd.

Yilmar Lojistik Gemi Acenteligi Denizcilik ve Tic. A.S.

Dexter Offshore Ltd. JLT

Global Ship Lease Services Limited

Broker Members

Voula, Greece

Singapore

Istanbul, Turkey

Lorentzen & Stemoco (Athens) Ltd.

Panalpina World Transport (S) Pte. Ltd. –

Panprojects Division

Reba Shipping Services

Club Members

Hamburg, Germany

Istanbul, Turkey

Dubai, United Arab Emirates

Skuld Germany GmbH

Turkish Shipbrokers Association

Islamic P&I Club

Agency Members

Amman, Jordan

Jordan Group for Shipping Agencies Co. Ltd.

Associate Members

Capellen, Luxembourg

Dubai, United Arab Emirates

Dubai, United Arab Emirates

Magellan Management & Consulting SA

Fichte & Co. Legal Consultancy

CP-Desk, Marcura Equities FZE

Fuels of the future

The year 2030 might seem a long way ahead, but is only two-thirds of a ship's lifespan. Thus a very high proportion of the ships in operation and under construction today will hopefully be profitably employed, as the third decade of this century dawns. But what fuel might these ships be burning in their main engines?

Go back to the beginning of the century and ship operators contemplating new tonnage could consider the technical specification with a reasonable degree of certainty. Slow speed diesel engines burning heavy fuel oil might be assumed to feature in their calculations.

Today, owners are faced with extraordinary uncertainties, as fuel prices, regulatory pressures and environmental changes vie for their attention. Will LNG be the fuel of the future? Must the dual-fuel engine be specified as the absolute minimum? Can scrubbers, or other forms of technical mitigation of harmful emissions, enable HFO to maintain its hold on the industry? Will availability become a major issue as refiners develop their own strategies? Might new technologies – batteries, fuel cells, hydrogen, methanol, even wind assistance – make inroads into the market?

These are just some of what Lloyd's Register Marine Director Tom Boardley describes as shipping's "big decisions", with the classification society aiming to provide some guidance in its recently published *Global Marine Fuel Trends 2030*. In a collaboration with the Energy Institute at the University College London, this study attempts to explore the various forces that will dictate the future marine fuel mix. It looks at the container, dry bulk and tanker sectors as the most populous parts of the industry and considers three scenarios – Status Quo, (business as usual), Global Commons (an emphasis on global co-operation and harmonisation) and Competing Nations, (localism, regulatory fragmentation, trade blocs).

Ship populations and trade growth

The scene in 2030 will also be greatly affected by the population of ships, with a substan-

tial trade growth in all but the Competing Nations scenario and its attendant effects upon demand for the various fuels. At the same time, demand will clearly be affected by technological improvements and fuel efficiency, with the Global Commons scenario seeing most progress in this respect.

The various drivers that will affect trends in fuel usage are many and varied, from the social pressures on environmental improvement, to technological advances and matters of simple availability. It is also greatly affected by the age spectrum of the three sectors, with the age and renewal prospects for the various sectors very different.

Thus, while it might be thought that LNG will achieve its greatest and fastest penetration in the deep sea liner trades, the huge surge in recent and present newbuildings, conventionally fuelled, will postpone the probable conversion to LNG in this sector. Nevertheless, across the board, it is thought that LNG will reach a maximum market share of 11% in 2030, which may be thought quite substantial. It is believed that the chemical and product tanker sector, and segments with the largest number of smaller ships will see the highest LNG uptake.

High degree of reality

It is suggested that HFO will remain a dominant fuel in the deep sea trades, with up to two thirds of the three sectors still using this fuel in the Competing Nations scenario and 58% in the most favourable Global Commons regime. This might seem a pessimistic view, bearing in mind the way in which other cleaner fuels have been "talked up" in recent times, but it is clear that there is a high degree of reality in the various scenarios, with an overall fuel demand expected to double by 2030, so the likelihood of the present fuel "landscape" being overturned

in a mere 15 years is unlikely. Nevertheless, while HFO might still dominate in the deep sea trades, other fuels seem likely to see a higher rate of growth, as demand for all fuels continues to increase.

The report recognises that the uptake of the various fuels depends both on the various scenarios that emerge, and the rate of technical development that takes place in the coming years. Changes to engine technology may include improvements to 2 or 4 stroke diesels, diesel-electric and gas engine development, while advances in fuel cell technology may be significant. The fuel mix may include, beside HFO and marine diesel oil, various bio-alternatives, methanol and hydrogen.

Political and regulatory issues

While technology and fuel availability may be very important, the political and regulatory issues and the changes which may be driven by social and environmental pressures will affect the marine fuel mix. Thus carbon reduction policies may, if the Global Commons scenario prevails, see an uptake in the use of hydrogen.

It is worth noting the view that "despite improvements in design and operational efficiency and current/future policies, CO₂ emissions from shipping will not decrease in 2030". Indeed, under the Status Quo scenario, shipping emissions are likely to double by 2030. The prospects of regulatory interventions on carbon policy, reversing the upwards trajectory of CO₂, despite the fleet and trade growth under Global Commons is certainly a possibility.

In considering these matters (and the report is worthy of close attention) it is also important to bear in mind the "human element" factors as new fuels penetrate the market.

There will certainly be issues of competence to consider, both in the manning of merchant ships using these fuels, switching between alternatives and the like, and the competence of those within the shore side infrastructure, as this spreads around the world.

Supervising bunkering arrangements

The different sorts of hazards inherent in the use of LNG would suggest that regulators will be very closely involved in approv-

als for bunkering arrangements, with a far higher degree of supervision than is the case with conventional fuels. Aboard ship, there will clearly be training and possibly certification matters that will be of increasing importance, as expertise is built up.

Evolution, rather than revolution might be considered the most likely scene as these trends develop over the next 15-16 years. LR consider that there is no “one size fits all” and the interplay of ship

supply and demand, fuel costs, fleet age profiles, regulatory changes and social pressures on environmental matters will all remain very important.

It is clear that there can be no hard and fast, well-defined route for the way ahead, and that the complexities in attempting to assess the commercial and technical criteria affecting the profitability of ships that will be in operation years after 2030 will remain a major problem. ■■

The curse of communications

Most sensible nations now have laws which prohibit drivers from using telephones, watching TV, or other activities which distract them from their prime duty of keeping their vehicle on the road.

It can probably be taken for granted that the flight deck crew of an aircraft will not be peering at their “smart” phones as they make their final approach.

In the maritime world, there may be some way to go in devising a sensible protocol over the use of these mobile “devices”. There have already been large numbers of accidents where the distraction of communications has been identified as a major contributor. Groundings, collisions, allusions and general navigational mayhem can clearly be caused by a lapse of concentration as the ship approaches her alter course position, or some other important moment demanding maximum alertness.

Programmed to act?

Sensible people will ban such communications completely from the bridge, although there are clearly some who just cannot help themselves from answering the call when the telephone rings, no matter what might be happening around them. Perhaps it is because they have been “programmed” to

act when bells ring, indicating some alarm which requires activity.

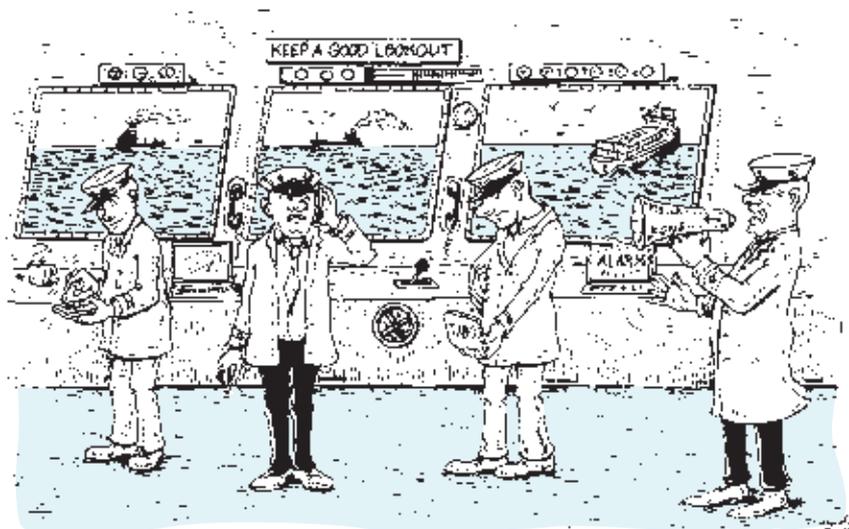
It is not just aboard ship. The latest issue of the Mariners’ Alerting and Reporting Scheme contains an angry notice from a person in port operational management, who is very exercised about the numbers of port workers chatting on their mobiles when driving cranes, fork lift trucks, working in hazardous areas and causing no end of near misses.

Distractions are multiplying

The correspondent points out that there are rules about the need to stop machin-

ery when on the phone, but it appears that these are regularly flouted and now malefactors have their phones confiscated and are fined, if they are caught. A marked improvement was reported as a result of this drastic action.

It is, however, probably going to get worse, now there are spectacles on the market which appear to offer a complete communications package and computers the size of wrist watches for those who cannot be “unconnected” 24/7. Distractions are multiplying and clearly need some effective counter-measures. Jammers, perhaps? ■■



“...if you’d just stop communicating and look out of the window, you might see something useful!!”

Ongoing IMO shipping issues

The new structure of the International Maritime Organization (IMO) is now a reality, and the number of sub-committees has been reduced so as to deal more effectively with the technical and operational issues covered by IMO regulations.

BIMCO participated in the first sessions of the Sub-Committee on Pollution Prevention and Response (PPR 1) held from 3-7 February 2014, the Sub-Committee on Human Element Training and Watchkeeping (HTW 1) held from 17-21 February 2014 and the Sub-Committee on Ship Systems and Equipment (SSE 1) held from 10 – 14 March 2014.

This article outlines the most important items discussed at these meetings.

Pollution Prevention and Response (PPR 1)

PPR handles technical and operational matters related to the prevention and control of pollution of the marine environment from ships and other related maritime operations.

MARPOL Annex VI guidelines

PPR 1 agreed to two sets of draft guidelines concerning the implementation of Regulation 13 *Nitrogen Oxides* (NO_x) of MARPOL Annex VI. Regulation 13 requires marine diesel engines installed on ships constructed before 2000 to meet the emission limits and for an Approved Method for the engine to be certified in accordance with MARPOL Annex VI.

The aim of the first draft guidelines entitled *2014 Guidelines on The Approved Method Process* was to assist ship owners in understanding the Approved Method process and responsibilities. The second draft guidelines cover the administration attached to all the information required by the IMO in connection with the certification of an Approved Method as required under Regulation 13.7.1 of MARPOL Annex VI (relating to Marine Diesel Engines Installed on a Ship Constructed Prior to 1 January 2000). The two draft Guidelines will be put up for adoption at MEPC 66 (in April 2014).

Emissions of black carbon from international shipping

This item has been on the agenda for some time and an inter-sessional correspondence group (CG) had submitted a report on the impact on the Arctic of emissions of black carbon from international shipping. The first requirement was to determine a technical definition.

After a long discussion related to the different definitions, PPR 1 decided on the light-absorbing carbonaceous components (LAC) definition, which has been used in literature concerning global warming. The new definition will be subject to acceptance by MEPC 66.

Future control measures and the implementation thereof would depend on the agreed definition and measurement methods. The following views of importance were expressed:

- It was premature to discuss possible control measures before agreeing on a definition and measurement method. More reliable studies and data on the general impact of black carbon in the Arctic are required prior to making an informed decision; and
- It was not appropriate to limit the control measures only to ships operating in the Arctic area, nor appropriate to differentiate the control measures on existing and new ships.

Re-classification of high-viscosity Polyisobutylene (PIB)

Following the decision in the Evaluation of Safety and Pollution Hazards (ESPH) working group to recommend the reclassification of high-viscosity PIB, PPR 1 agreed to a new entry in Chapter 17 of the IBC Code for Polyisobutylene, as a pollution category X. Category X represents Noxious Liquid Substances which, if discharged into the sea

from tank cleaning or deballasting operations, are deemed to present a major hazard to either marine resources or human health. This therefore justifies prohibition of their discharge into the marine environment. PPR 1 further approved the addition of “Highly Reactive Polyisobutylene” as a synonym in Chapter 19 of the IBC Code.

Previously, PIB was classified as a Noxious Liquid Substance which was deemed to present a hazard which justified a limitation on the quality and quantity of the discharge into the marine environment (Category Y), but there was no differentiation between high or low viscosity grades. Low-viscosity PIB would remain a Category Y product.

Products requiring oxygen-dependent inhibitors

PPR 1 agreed to a draft MSC-MEPC circular on products requiring oxygen-dependent inhibitors for submission to MEPC 66 and MSC 93 for adoption. The draft circular relates to proposed amendments to SOLAS and the IBC Code with respect to the application of inert gas when carrying low flash-point cargoes. This would require the Certificate of Protection to state “whether the additive is oxygen-dependent and if so, the minimum level of oxygen required in the vapour space of the tank for the inhibitor to be effective”.

New offshore support vessels chemicals code

PPR continued its work on developing a draft Code for the Transport and Handling of Limited Amounts of Hazardous and Noxious Liquid Substances in Bulk in Offshore Support Vessels (OSV Chemical Code). The aim was to develop a consistent regulatory framework for the transport and handling of limited amounts of hazardous and noxious liquid substances in bulk on offshore support vessels.

It was agreed to refer relevant sections dealing with stability, cargo transfer and fire-fighting to the Sub-Committees on Ship Design and Construction (SDC) and Ship Systems and Equipment (SSE) with a request for their input.

**Ballast Water Management (BWM)
Convention guidance**

PPR 1 agreed, in principle, to a draft Guidance on stripping operations using eductors. Eductors are used to drain the remaining water from ballast water tanks during deballasting. Parts of the guidelines were questioned by a number of delegations, as they were seen not to be in line with the provisions of the BWM Convention. The matter will be further considered at MEPC 66.

The sub-committee also discussed the use of fresh water as ballast, with its possible implications for corrosion protection in ballast tanks. However, it was noted that long experience with using ballast water from lakes, rivers and other fresh water sources indicated that additional corrosion effects are minimal.

Cooking oil

PPR 1 considered a proposal for clarification with regard to the proper disposal of cooking oil. It was proposed that in accordance with MARPOL Annex V, cooking oil should be considered as garbage and should be discharged to a reception facility or be disposed of by incineration.

It was pointed out that there was no clear method for recording this operation within the current format of the Garbage Record Book, since transferring cooking oil into



Proposals for the training of officers and ratings on ships sailing in the Arctic and Antarctic areas were discussed. (Photo: Lindblad Expeditions)

the oil residue (sludge) tank was neither a discharge to a reception facility, nor an incineration method (and discharge to sea was not permitted). Moreover, taking into account that when meeting the more stringent discharge requirements for compliance with MARPOL Annex I, appropriate entries in the Oil Record Book Part I will be required each time cooking oil was transferred into the oil residue (sludge) tank.

Consensus could not be reached by PPR 1. In order to achieve further clarity, interested parties were invited to submit a text for a draft unified interpretation to MARPOL Annex V, to PPR 2 for further consideration.

Human Element, Training and Watchkeeping (HTW 1)

HTW addresses issues relating to human element training and watchkeeping, including minimum international standards for training and certification of seafarers under the STCW Convention.

Polar Code

As an integral part of the development of a mandatory Code for ships operating in

Polar waters, HTW 1 discussed numerous proposals for the training of officers and ratings on ships sailing in the Arctic and Antarctic areas. It was agreed only to develop additional training requirements for deck-officers.

Chapter 13 of the Polar Code was finalised, outlining the application of education and training requirements for crews of ships entering the Polar Areas covered by the Polar Code. Companies will have to ensure that Masters, Chief Mates and officers in charge of a navigational watch (OOW) on board ships operating in Polar waters shall have completed the following types of training (see Table 1).

The work on the draft amendments of Chapter V of the STCW Convention and Code related to the training requirements for officers and crew on board ships operating in Polar waters will continue at HTW 2.

Dangerous goods in packaged form

HTW considered proposals for the development of guidelines for ship owners and seafarers in connection with the proper

Table 1: Training requirements for Masters, Chief Mates and OOW in Polar Waters

	Tankers	Passenger ships	Other ship types
Ice Free (no ice in the area)	Not applicable	Not applicable	Not applicable
Open waters (ice coverage below 10%)	Basic training for Master, Chief Mate and OOW	Basic training for Master, Chief Mate and OOW	Not applicable
Above open water (ice coverage above 10%)	Advanced training for Master and Chief Mate. Basic training for OOW	Advanced training for Master and Chief Mate. Basic training for OOW	Advanced training for Master and Chief Mate. Basic training for OOW

implementation of relevant IMO instruments relating to the carriage of dangerous goods in packaged form at sea.

In general terms, it was agreed that these problems mainly originated from the shore side rather than the ship side. It was concluded that the issue was already covered under the STCW Convention and Code, the IMDG Code, and other IMO instruments.

Security training

A guidance on training and certification requirements for Ship Security Officers (SSOs) and seafarers with designated security duties was agreed upon. This guidance will help address the practical difficulties seafarers have reportedly experienced in obtaining the necessary security certification under the 2010 Manila amendments to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW) and STCW Code.

The guidance recommends that, until 1 July 2015, relevant training under Section 13 (Training, drills and exercises on ship security) of the International Ship and Port Facility Security (ISPS) Code should be accepted as being equivalent to that required under the STCW Convention and Code.

HTW 1 approved an STCW circular on Advice for Port State Control Officers, Recognized Organizations (ROs) and Recognized Security Organizations (RSOs) on action to be taken in cases where seafarers do not carry the certification required in accordance with Regulation VI/6 of the STCW Convention and Section A-VI/6, paragraphs 4 and 6 of the STCW Code after 1 January 2014.

HTW 1 also approved a STCW circular on Advice for Port State Control Officers, ROs and RSOs clarifying training and certification requirements for SSOs and seafarers with designated security duties, which agrees that SSO training encompasses the competence requirements of the STCW Code (Section A-VI/6). Therefore, holders of SSO certificates should not be required to undergo further training and obtain certification.

Both circulars can be downloaded from the BIMCO website (www.bimco.org).

Ship Systems and Equipment (SSE 1)

SSE considers technical and operational matters related to systems and equipment, including machinery and electrical installations, on all types of ships, vessels, craft and mobile units covered by IMO instruments.

Electrical installations

SSE 1 discussed a proposal to amend SOLAS Chapter II-1 to ensure that electrical installations on board ships were manufactured and maintained according to relevant and recognised electrical standards (IEC 60092 – Electrical installations in ships – or similar standards). The proposal, based on information gathered in the aftermath of a severe accident on board a large fishing vessel, had previously been submitted to the IMO, but in another form.

The importance of a sufficient safety level and protection against fire on board ships was recognised. However, the majority found the proposal too rigid and/or too far reaching. Also, as pointed out by the International Association of Classification Societies (IACS), it was acknowledged that the existing SOLAS regulations already covered electrical installations. Furthermore, the sub-committee agreed that issues related to the maintenance of such systems were adequately addressed by the International Safety Management (ISM) Code.

Life-saving appliances based on goal-based standards

Together with other industry organisations, BIMCO had co-sponsored a document under this agenda item. The paper contained information on a gap analysis conducted by industry associations to support the development of the goal-based framework for life-saving appliances.

During the discussion, SSE noted the concern expressed by industry organisations and some member states regarding the application of MSC.1/Circ. 1392. It was acknowledged that existing load release hooks should only be re-approved (under MSC.1/Circ. 1392) when the function of the hook itself was safe without the use of additional operating mechanisms or devices. This requirement was, however, not met for some of the hooks, although listed in the IMO Global Integrated Shipping Information System (GISIS) as being re-approved.

It was consequently agreed that these concerns should be brought to the attention of the Maritime Safety Committee for further consideration and decision.

On board lifting appliances and winches

SSE worked to identify the need for developing requirements for on board lifting appliances. The scope of this would be to cover all load-handling equipment, though excluding personnel/passenger lifts and escalators and any equipment regulated by the Life-Saving Appliances (LSA) Code.

Available incident data for on-board lifting appliances and winches indicates a number of issues, which could form part of the work:

- Insufficient safety procedures in place;
- Lifting hooks not engaged properly;
- Training in operation and maintenance, and
- Operational and maintenance conditions that could induce failures, e.g. wire ropes.

Although it is still to be decided whether the new requirements will be of a mandatory or non-mandatory nature, the general understanding was that the potential measures should be considered as applicable to all SOLAS ships – existing as well as newbuilds.

It was further noted that

- The scope and applicability of the requirements should not be limited to cargo lifting appliances only and should be further clarified;
- Matters relating to operational procedures and maintenance were already regulated on a mandatory basis via the provisions of the ISM Code;
- A renewal survey needs to be consistent with other surveys, so the five-year interval should be used; and
- Standards for loose gear steel wire rope and shackles should be developed.

Amendments to MARPOL

SSE 1 agreed to draft amendments to MARPOL Annex I Regulation 12 on tanks for oil residues (sludge). The item concerned arrangements where the oil residue (sludge) tank(s) have discharge connections to oily bilge water holding tank(s), tank top or oily water separator.

Previously, BIMCO had submitted a paper



Sludge collection and tank cleaning. (Photo: Hua Shun Shipping, Qingdao)

together with Denmark and Spain, disputing an IACS unified interpretation (UI) of the issue by arguing that there was either a need for revising the IACS UI or amending MARPOL. The IACS UI text was disputed, as it did not sufficiently cover the fact that there should be no inter-connections between the sludge tank discharge piping and bilge water piping, other than possible common piping leading to the standard discharge connection referred to in MARPOL Annex I. SSE 1 agreed to amend MARPOL Annex I Regulation 12 as well as to revise the IACS UI.

It is important to note that Regulation 12 will be applied retroactively to all ships in service based on a phase-in scheme lasting 5 years after the entry into force date. It is BIMCO's view that only ships which have systems that support a clearly prohibited operation of disposing of sludge directly into the bilge system discharge piping will have to be modified. So in BIMCO's view, most ships will be able to comply with the new regulations.

IACS Unified Interpretations

A number of IACS submissions had been forwarded for the meeting to decide whether they should become IMO Unified Interpretations (UI).

IACS had submitted a paper to meet the concerns raised to the IACS Unified Interpretation SC244 on the Revised Recommendation on Testing of Life-Saving Appliances set out in Resolution MSC.81(70)) on load testing of hooks intended for the primary release of lifeboats and rescue boats.

SSE 1 approved the UI as it was found to be consistent with a previous decision made by the IMO. For single fall systems, it was agreed that the "weight of the boat" should be considered the "weight of the boat with its full complement of persons and equipment" multiplied by two. A draft MSC Circular will be sent to MSC 93 for approval.

IACS had also submitted a paper regarding SOLAS Regulation III/20.11, which made it clear that the annual thorough examination and operational test of launching appliances, lifeboat or rescue boat on-load release gear and automatic release hooks for davit-launched life-rafts should be carried out at "the annual surveys required by Regulations I/7 and 1/8". This regulation did not, however, specify the timing window of the five-year overhaul and test.

IACS members had become aware of

instances where both annual examinations and five-year overhauls had not been conducted by the manufacturer or a service provider authorised by the Administration in accordance with MSC.1/Circ.1277 (Guidelines for Certification of Personnel for Servicing and Maintenance of Lifeboats, Launching Appliances and On-Load Release Gear).

It was noted that:

- MSC 93 (to be held in May 2014) was expected to adopt mandatory requirements for periodic servicing and maintenance;
- The proposed unified interpretation did not indicate any limitations regarding service providers; and
- The issue depended on the entry into force of the amendments to SOLAS Chapter III related to periodic servicing and maintenance, so, it was premature to consider this IACS UI before MSC 93.

After a long discussion, no conclusion could be reached, and the IMO will continue the discussions at Maritime Safety Committee level. (AFS) ■■

Keys to a closer connection between sea and shore marine careers

Why do people go to sea? How long do they intend to stay afloat and what do they intend to do when they come ashore? What induces them to come ashore and how easily do they feel it is to make the transition? Are the prospects of future employment ashore in the marine industry influential in persuading them to go to sea in the first place?

These are important questions for anyone concerned with the manning of ships and the recruitment of people into the marine “infrastructure”. They are important to anyone who is concerned with the quality of recruits, who recognise that if the best recruits are to be found, the maritime sector has to compete with other industries looking for those same, bright young people.

So it is important to understand something about the motivation and attitude of potential recruits, what they might find attractive about the industry, but also what they regard as a deterrent. These matters are enormously important when retention of people who have been expensively recruited and even more expensively trained is being assessed.

We might think that we know about these matters – as a responsible maritime employer it is clearly necessary to question attitudes among the employees. But what is the evidence for the conclusions that are being reached? It is useful to have more than a rough estimate when long term manpower policies are being developed. Although some maritime employers do manage to fill their vacant positions by simply poaching people others have trained, it is not a sensible policy for long term health, and it is important to plan long term, if future manpower crises are to be avoided.

It is worth thinking for a minute about the fact that the Masters and Chief Engineers who will run sophisticated ships fifteen years from now are currently consider-

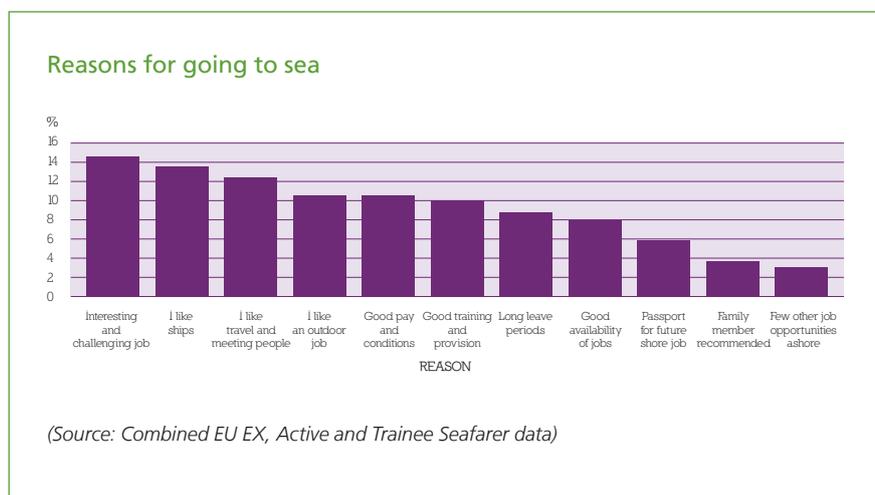
ing their career options, as are the future senior managers.

EU career mapping project

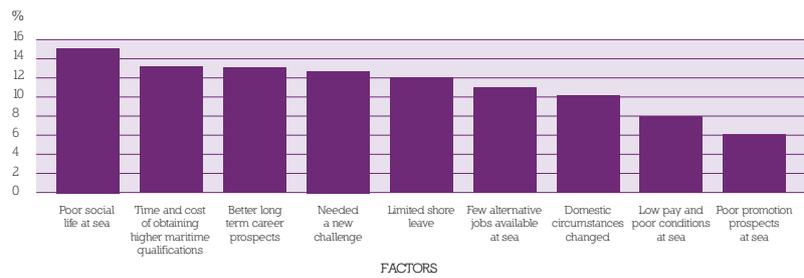
The European Union has funded a very useful research project on Career Mapping, which has made a very good attempt to answer many of these questions. Published as *Maritime Career Path Mapping 2013 Update**, the project was undertaken by the European Community Shipowners’ Associations (ECSA) and the European Transport Workers Federation (ETF). It builds on an earlier and smaller study undertaken by Southampton Solent University and published in 2005, which itself was the first study of its type which looked at career progression in the maritime industry.

The researchers in the latest study have considered rather deeper terms of reference, right across the European maritime manpower spectrum, looked at both officers and ratings and endeavoured to identify practical solutions to problems seafarers might encounter in their career progression while they are at sea, and in making the transition to shore side employment in the maritime industry.

Some 2,000 trainees, active seafarers and former seafarers were canvassed for their views, along with a number of marine professionals, many of whom are now in the position of wishing to employ ex-seafarers in their businesses. The survey population included Europeans and non-Europeans. The research is thus the most



Factors influencing decisions to work ashore



(Source: EU serving seafarer data)

extensive of its type ever undertaken and a number of practical recommendations have been proposed.

Why do people go to sea?

Why do people go to sea in the first place? Largely positive reasons were advanced by those questioned, people putting a high value on the interesting and challenging work, the attraction of ships and the sea, travel, the outdoors, good pay and training were said to be important. The possibilities of shore side employment in the maritime industry were not rated as highly as these other attractions.

How long will they stay in seagoing employment? Most specified from 10-15 years, although the trainees, perhaps obviously, had a larger number of individuals who were anticipating a whole career afloat. There were perhaps few surprises about why seafarers decided to come ashore, the poor social life, changed domestic circumstances, the perception of better long term

career prospects ashore and the costs of obtaining higher maritime qualifications all featured. The need for new challenges and anticipated career planning were also important drivers reported by ex-seafarers who had made the transition.

The research indicates a considerable degree of realism among seafarers who came ashore and those planning to do the same; people reasonably wish to remain in employment where their experience and maritime qualifications are useful. Many have used their time afloat to think about their future employment ashore, the various job options that might be open to them and are not merely looking for “any old shore job”, but one that they have identified for its interest and prospects.

Those careers with which they might be more familiar, such as those in ship management or technical superintendency, will tend to attract them more than those that they may not have encountered during their time afloat. It would seem to be sensible for rather more information about a wider range of shore side maritime employment to be made available. The research also revealed considerable (and understandable) differences between prospects in countries with a sizeable maritime cluster and those where there was only a small maritime infrastructure ashore.

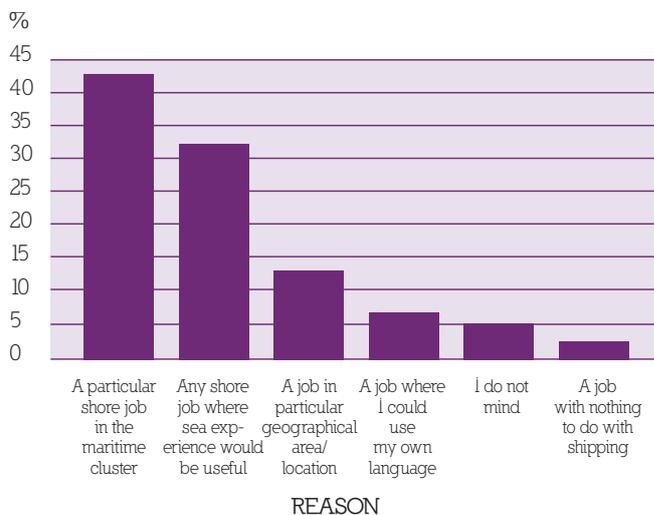
Will my qualifications be valid ashore?

It is notable that while those who are contemplating making the change between seagoing and shore employment have the greatest concerns about whether their maritime qualifications and experience will be valued ashore, while those who have made the break report that they encountered few significant difficulties. Here, perhaps, this is human nature speaking, and while those who regard their transition as a success are happy to report the same, those who have struggled might be more reticent!

The research points to a number of barriers seafarers encounter as they try and make the move ashore, notably the lack of information about what may be available, lack of information about what additional training they might need in their chosen new role and what training is on offer. Clearly, the costs of making the transition are something that might be worrying, and indeed persuade people to stay in seagoing employment.

There is no doubt that employment agencies specialising in the maritime industry report that there is sometimes a reluctance to take a job offering good prospects, because of the daunting increase in costs of commut-

Career Mobility and progression between shore and sea



(Source: Combined EU Ex and Serving Seafarer data)

ing, perhaps moving house to less desirable areas that are inherent in the move ashore. “Better the devil they know” is sometimes an apt description of this reluctance. A pay cut in real terms of up to 50% when coming ashore (considering the additional shore side costs) was not unrealistic, for a senior officer, although as reported when working ashore, promotion prospects were “almost limitless”, compared to a lack of further progression afloat for a Master of Chief Engineer.

Fraught with potential problems

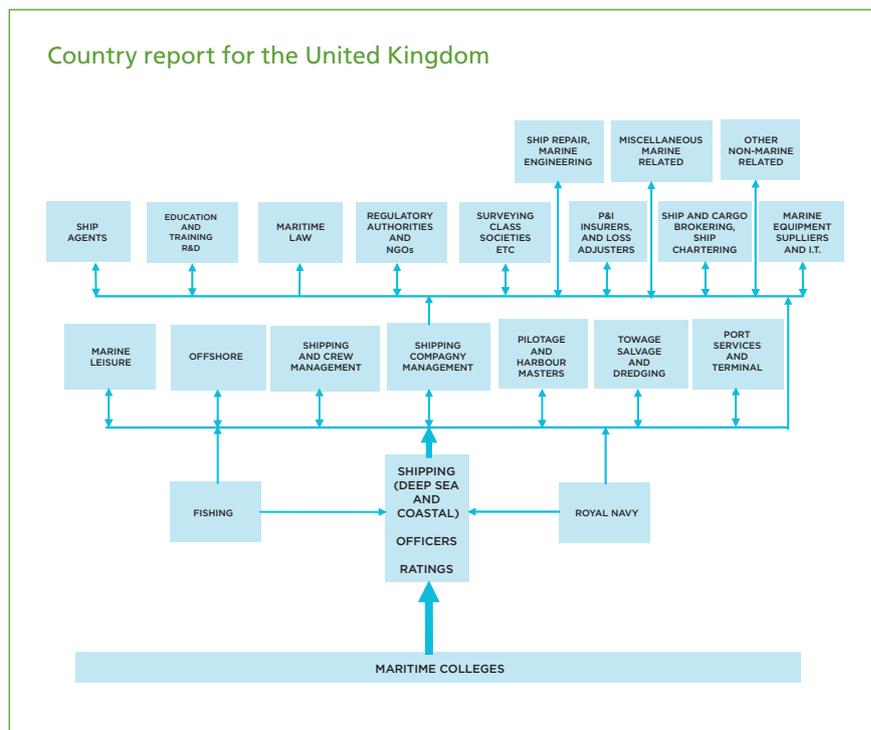
The report notes with great realism while anyone moving shore jobs will face a degree of anxiety and uncertainty, for seafarers moving ashore – “the future must appear fraught with potential problems, at least initially, not just with the changed work role and responsibilities, the new skill sets needed and the wholly new daily work schedule...usually the physical relocation of their home and family and the prospect of a possible decline in living standards”.

It also notes that induction and mentoring for seafarers newly working in shore positions are often inadequate and sometimes non-existent. The work also revealed that there were serious shortages in candidates for shore side employment, possibly because of this reluctance to change the lifestyle. An expansion in the maritime industry because of expanding offshore work would only exacerbate the problems.

A more holistic approach needed

The report offers a number of recommendations, starting with a rather more holistic approach to recruitment in which young people are appraised not only of the seagoing career but what related careers time and experience might lead to. It also suggests a more co-ordinated approach to promote the strengths of the whole maritime sector to the general public, to maximise political impact and encourage seafarers’ career mobility. More integration of maritime training and qualifications is also recommended.

It suggests that the time might be right to look again at the development of new manning structures aboard ship, which would better integrate ratings and officers within a management and operational structure that might increase job mobility and opportunities. Upgrading ratings’ skills and qualifications could also be a useful step forward.



Distance learning

The report recognises the importance of training and education in career development and suggests that distance learning and qualification courses should be upgraded and expanded, while more short training courses to fill in areas that are lacking in statutory seafarer qualifications might be provided. Leadership, management, financial management and other skills needed in shore side positions are suggested as examples.

A further tool for seafarers from Europe might be to provide an on-line maritime career database that provides them with information on the availability of shore jobs, training courses and other helpful material. It is also suggested that employers should be encouraged to provide more career guidance to their seafaring employees.

The appendices to the report provide separate data from the industries in Denmark, Germany, Greece, Italy, Latvia, Netherlands, Poland, Spain, Sweden and the United Kingdom. These provide some idea of the size of the maritime industry, its infrastructure and shore-based maritime opportunities.

The report is interesting in that it clearly shows the relationship between a high quality seafaring workforce and the considerable and growing demand for people with sea-gained skills in a large part of the shore side infrastructure, which is already showing signs of running out of talent. Wise employers are already “talent-spot-

ting” their promising seafaring employees and ensuring that they are provided with the training, motivation and incentives to move their career progression ashore in their companies. ■

Note

* *Maritime Career Path Mapping 2013 Update*, is published by ECSA and ETF, with funding from the EU.



Michael Grey

Editor’s Note: Michael Grey is BIMCO’s Correspondent in London. He is a former Editor of Lloyd’s List and a regular contributor to many maritime publications.

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Momentum for LNG-fuelled vessels grows

The number of LNG-powered vessels in service and on order has just passed the 100 mark. The gaps between follow-on century milestones are destined to get shorter and shorter.



Pioneer Knutsen fuels Fjord Line's new gas-powered Ro/Ro passenger ferry Stavangerfjord in Norway, the birthplace of LNG bunkering.

The fleet of LNG-powered vessels in service and on order passed the 100 mark in recent weeks. The milestone was recorded on 24 March 2014 in a blog post by DNV GL, the class society that has the majority of these vessels on its books and that has done much to promote the use of LNG as marine fuel.

As regards the in-service part of this fleet of LNG-fuelled ships that are not LNG carriers, most are sailing in Norwegian waters. Government grants that encourage ship

owners to reduce emissions of nitrogen oxides, under its NOx fund, have been a great spur, as have plentiful supplies of gas in the Norwegian North Sea and the lack of a pipeline distribution infrastructure along the country's long, mountainous coastline.

In contrast to the Norway-centric nature of the in-service fleet, with its emphasis on offshore support vessels (OSVs) and cross-fjord ferries, the order-book of LNG-powered vessels encompasses a much more diverse array of vessel types, flag administrations and class societies.

The concept of using LNG as marine fuel is spreading, as more ship owners and gas sellers awake to the environmental and commercial advantages offered by clean-burning natural gas.

Emergence of US LNG bunkering

One of the more notable LNG-powered vessel order-books is that of US-flag ships. Key drivers in the region's enthusiasm for LNG as marine fuel are the plentiful supply of cheap gas stemming from the development of its vast shale deposits through "fracking" and the fact that North Amer-

ican coastal waters, and the Great Lakes, have been designated since August 2012 as an emission control area (ECA) under Annex VI of IMO's Marine Pollution (MARPOL) Convention.

Several owners of US Jones Act tonnage were quick to recognise that the use of LNG fuel ensures compliance with all existing and anticipated provisions of the tightening Annex VI regime governing emissions of atmospheric pollutants. This recognition is also supporting a rejuvenation of US shipbuilding activity.

The order-book of LNG-fuelled, US-flag ships stands at 16 vessels, comprising a series of six OSV newbuildings, six container ship newbuildings and four conversions of existing container ships. This fleet includes some notable firsts. Delivery of the inaugural vessel in a series of six Harvey Gulf-owned OSVs, the 5,250 DWT *Harvey Energy*, is imminent. The OSV will go into the record books as the first LNG-fuelled vessel that is not an LNG carrier to be delivered by a US shipbuilder and the first such vessel to go into operation in the US.

A fuelling station is being built for the sextet at their home base of Port Fourchon in Louisiana and, when this facility enters into ser-



The 5,250 DWT offshore support vessel *Harvey Energy* will be the first of 16 LNG-fuelled ships currently building in the US to enter service.

vice later this year, it will be the first LNG bunkering station in the US.

Precedent-setting box ships

Two of the US container ships on order are being built at the National Steel and Shipbuilding Co. (NASSCO) yard in California for Totem Ocean Trailer Express (TOTE). When the 3,100 TEU pair enter into service in 2015 and 2016, they will be world's first purpose-built, LNG-propelled container ships. The vessels will be provided with MAN Diesel & Turbo's new low-speed, electronically controlled, gas-injection (ME-GI) dual-fuel engines, another container ship first.

Another two of the box ships are being built to the Ro/Ro container (Con/Ro) configuration and are the first LNG-fuelled vessels of this specific type to be ordered. The pair, each of which will be able to carry approximately 2,400 TEU and nearly 400 vehicles at speeds of up to 22 knots, are being built by VT Halter Marine for Crowley Maritime and are scheduled for delivery in the second and fourth quarters of 2017.

Like the TOTE newbuildings, the Crowley pair will run between Florida and Puerto Rico and be powered by MAN ME-GI dual-fuel engines. Jacksonville will be the home port for all four ships and steps are being taken to have the necessary LNG bunkering facilities in place in the port by the time the vessels are completed.

The remaining two US-flag container ship newbuildings on order are a 3,600 TEU pair at Aker Philadelphia Shipyard for Matson Navigation. Each will be powered by a MAN 7S90ME-GI dual-fuel gas-injection engine developing 42.7 MW. In terms of power output these are the largest dual-fuel engines ever ordered. The duo are scheduled for delivery in 2018 and Matson holds options on three further such vessels.

A survey by Zeus Development Corp published earlier this year identified projects requiring a further 26 LNG-powered, US-flag vessels, that are now approaching time for a final investment decision. The schemes encompass 13 ferries, 12 tankers and bulk carriers, and an articulated tug barge. Since the report was issued, further proposals for LNG-fuelled vessels in the US have been tabled.



The LNG-powered catamaran ferry *Francisco* runs between Montevideo and Buenos Aires and is the world's fastest commercial vessel.



The Gate LNG import terminal in Rotterdam has been provided with the ability to reload gas carriers as small as 5,000 m³ in size.

West Coast Canada focus

The coastal waters of Canada, extending 200 nautical miles offshore, are also covered by the North American ECA and three LNG-fuelled ferries for service on the St. Lawrence River and its tributaries are already under construction. Canada, too, has abundant supplies of competitively priced natural gas, concentrated in Alberta and British Columbia, and many of the country's ship owners are poised, ready to take advantage of the benefits offered by the use of gas as a marine fuel.

A study prepared recently for Transport Canada estimates that by 2025, under a "medium" LNG adoption scenario, there will be approximately 150 LNG-powered vessels operating on Canada's West Coast. These vessels would consume in the order of 570,000 tonnes of LNG annually, equivalent to 8.5% of the gas currently consumed in the province of British Columbia.

The Transport Canada report highlights the economic benefits that ship owners serving West Coast Canada stand to gain through the use of LNG. For the six coastal vessel scenarios modelled, five had a payback

time of less than six years on initial investment. Annual fuel costs for coastal vessels burning LNG were reduced by more than 50%, with estimated fuel savings ranging from USD 500,000 per year to more than USD 5 million per year, depending on the vessel type. For deep-sea vessels, payback improves with the amount of time a ship spends in the North American ECA.

The cause of LNG-fuelled shipping in North America will be aided by the drive to provide the fuel for use in other high-horsepower applications, most notably to drive heavy goods vehicles and rail locomotives and to power drilling rigs and other mining equipment. The US now has 60 small-scale gas liquefaction plants which produce LNG and store it for times of peak demand. Unfortunately, most of these are remote from coastlines and waterways and, thus, not especially useful for vessel bunkering operations.

There is an estimated need for an additional 50-100 such plants in the US alone and the intention is to position new facilities strategically, whenever possible, to facilitate multiple fuelling operations,

including for vessels, vehicles, trains and, ironically, the drilling equipment used in fracking operations.

Estimating global needs

A number of more wide-ranging studies have been carried out to gauge the extent to which the use of LNG as ship fuel will be adopted globally in the years ahead. Such investigations are made difficult by the plethora of variables that come into play. From an environmental point of view, for example, it is not known whether any new ECAs will be created; whether the global sulphur cap for heavy fuel oil will be lowered from 3.5% to 0.5% in 2020 or 2025; or to what extent individual governments will support LNG as part of efforts to reduce atmospheric pollution in their own countries.

Many commercial considerations also come into play when making such predictions, not least fuel price fluctuations and the cost of gas relative to the alternative options of middle distillates and the continued use of heavy fuel oil, in tandem with exhaust gas scrubbing equipment. There is also the question of the age profile of the various

segments of the fleet and the point at which each of these segments fall due for rejuvenation through an influx of newbuilding tonnage. The availability of LNG bunkering infrastructure, the lifecycle costs of the various propulsion system alternatives and the economic and technical considerations of refining large volumes of low-sulphur middle distillates also need to be weighed up.

In DNV GL's own analysis of the global potential for LNG fuel the class society concludes, in its median case scenario, there will be 1,800 LNG-powered vessels in service by 2020, comprising 1,100 newbuildings and 700 conversions. MAN Diesel & Turbo believes there could be as many as 2,000 gas-powered vessels consuming 15 million tonnes of LNG by 2020. In this, the "most likely" of the MAN outcomes, LNG would displace approximately 8% of the global shipping fleet's current consumption of liquid oil fuel.

In March 2014, Lloyd's Register (LR) issued the results of its own investigation into the worldwide potential for LNG as bunker fuel. Entitled *Global Marine Fuel Trends 2030*, the study encompassed three major global economic scenarios and concluded that, in its Status Quo scenario, LNG will account for about 11% of the world bunker market in 2030. Heavy fuel oil will remain the dominant driver of ship engines, commanding a market share of about 66%.

LR points out that the use of LNG would be greater but for the large volume of new ships constructed in recent years, not least in the container ship, bulk carrier and large tanker sectors. Thus, it will be some time before these fleets require replenishment to any great extent. One sector that is ageing and has not experienced any notable infusions of newbuilding tonnage of late is that comprising chemical and small product tankers. LR states that LNG could be powering over 30% of small tankers by 2030.

Europe builds on pioneering work

Other regions besides North America where the spread of LNG bunkering will be particularly strong in the years ahead are Europe and China. Developments in Europe are supported by the North and Baltic Sea ECAs currently in place and the robust policies being implemented by the Euro-

pean Union (EU) in the drive to transition the entire region to a low-carbon economy under its 2008 Climate and Energy Package. Initiatives in Northern Europe are also benefiting from the ability to build upon and out from the pioneering LNG bunkering infrastructure established in Norway.

Europe has 19 major LNG import terminals in operation and three further such facilities under construction and nearing completion. One-half of the terminals have road tanker loading bays that enable the onward transport of cryogenic liquid to a range of satellite stations and fuelling depots. Amongst the end-users of these road tanker deliveries are vessels that bunker via direct truck-to-vessel transfers. Seven of Europe's receiving terminals also have the ability to reload small LNG carriers, including bunker vessels, of under 10,000 m³ in size.

Backing up these major sources of LNG supply in Europe are a range of under construction and planned bunker stations and small-scale LNG terminals. One of the intentions of the EU Climate and Energy Package is to ensure that all large EU seaports have LNG bunkering facilities in place by 2020, and that the leading inland water ports are able to offer a similar service by 2025.

From road to water in China

China has already made a major commitment to the use of LNG as a road transport fuel and is now seeking to replicate this achievement in the vessel bunkering sector. The government's desire to ease the country's chronic air pollution problems by making greater use of clean-burning natural gas is driving developments at a great pace.

In the road transport sector, for example, China was responsible for virtually all the 4,750 LNG-fuelled vehicles ordered in Asia in 2013. The total includes the largest ever contract for such vehicles – an order by Beijing Public Transit for 3,100 LNG-powered buses. No other country comes close to China in terms of number of vehicles, although the US leads the competition and the global order-book is growing.

Following the commissioning of three new facilities in recent months, China now has



Mike Corkhill

10 LNG import terminals. The country also has two smaller terminals in operation which are earmarked for coastal distribution duties. More facilities of both types are under construction.

All the Chinese terminals are provided with tank truck loading bays and the onward distribution of LNG by road throughout each facility's hinterland forms a major part of their operations. In recent years, trials have been carried out involving the running of existing inland waterway and fishing vessels on a mix of LNG and diesel. Also, within the past few months, China has put its first purpose-built LNG powered vessels, a pair of tugs, into service.

LNG bunkering is set to blossom in China in the years ahead, as it will in North America and Europe. LNG marketers and a number of other interested parties will be hoping that the determining factors align in such a way that the optimistic scenario as regards the use of the fuel materialises. Whatever the uptake, however, a new era in ship propulsion is dawning. ■■

Editor's Note: Mike Corkhill is a technical journalist and consultant specialising in oil, gas and chemical transport, including tanker shipping and chemical logistics. A qualified Naval Architect, he has written books on LNG, LPG, chemical and product tankers and is currently the Editor of both LNG World Shipping and LPG World Shipping.

Shipping management in Australia – geography sets us apart, shipping brings us together

Australia, as an island nation, is reliant on shipping. We are responsible for some 16 million square kilometres of ocean, have a coastline of over 60 thousand kilometres and our land mass is around 50% greater than Europe.

These features, combined with our geographic isolation, underpin our need for, and commitment to, a sustainable international shipping industry. Shipping carries 99% of Australia's trade by volume and our shipping task makes up 10% of the world's seaborne trade – the fourth largest global shipping task.

The Australian Maritime Safety Authority (AMSA) is the government agency responsible for managing shipping within our waters. Commencing operations on 1 January 1991, AMSA's vision is "Safe shipping, clean seas and saving lives".

We are a relatively small organisation with a wide range of responsibilities. These include: enhancing maritime safety and protection of the marine environment; preventing and combatting ship-sourced pollution in the marine environment; providing infrastructure to support safe navigation in Australian waters; and providing a national search and rescue service to the maritime and aviation sectors (covering an area of 52.8 million square kilometres).

Australia's role within the IMO

Central to Australia's, and AMSA's, maritime responsibilities is our commitment to the International Maritime Organization (IMO). Australia is a founding member of the IMO and has been represented on its

governing Council for more than 40 years. In 2013, we were re-elected to Category C of the IMO Council for the 2014-15 biennium. Our aim is to ensure the thousands of international vessels calling at Australian ports each year are seaworthy, have competent and fairly treated crew, and can safely navigate our pristine marine waters.

In global terms, Australia is a significant coastal state and our participation at the IMO reflects both national and regional priorities. We have ratified 42 IMO conventions. We also participate in all significant

IMO meetings. Australia's High Commissioner to the UK, HE the Hon. Mike Rann, is our Permanent Representative to the IMO.

AMSA also has an officer permanently based in London to support Australian delegations. This investment in permanent diplomatic representation demonstrates Australia's broad commitment to the IMO work programme. Australia is currently chair of the Human Element Training and Watchkeeping (formerly the Standards of Training and Watchkeeping) Sub-Committee and chairs various working and cor-



APHoMSA 2013 participants, Cairns, Queensland.

responsiveness groups. We make a significant investment to participate at IMO meetings to ensure that our national and regional priorities are reflected in IMO instruments.

The Asia-Pacific region

Australia supports the development of a sustainable global shipping industry as well as the reforms of the IMO, and works at both a domestic and international level to build capacity, transfer knowledge and technologies, and assist countries with implementing IMO Conventions. In 2012 we signed a Memorandum of Understanding with the IMO on technical co-operation. This memorandum formalised Australia's contribution to IMO capacity-building activities, primarily in the Asia-Pacific region.

Our officers are recognised and well regarded internationally for providing high quality training courses. We conduct, or assist with, numerous training courses in our region, predominantly in the areas of marine pollution response, Port State Control (PSC), safety of navigation and search and rescue. Under the MoU we continue to provide experts, host regional workshops and training courses and explore opportunities for partnerships with the IMO and other regional Member States.

The IMO Secretary-General Koji Sekimizu acknowledged Australia's track record and role as an important maritime nation when he spoke at our National Shipping Industry Conference (NATSHIP) in 2012. He said "It is a position that not only confers rights, but also brings responsibilities, and Australia, to no small extent through AMSA, our host today, has shown a keen willingness to shoulder those responsibilities and discharge them effectively."

Being surrounded by three vast oceans, Indian Ocean, South Pacific, and the Southern, we recognise the crucial importance of shipping to our region. It is well known that the Asia-Pacific accounts for some 40% of the world's cargo-carrying fleet and around half of the world's seafarers. It is therefore vital that our region should be a leader and motivator for reform and innovation.

We have placed great importance on strengthening working relationships with maritime agencies and training institu-



ASMA conducting a PSC inspection.

tions in the Asia-Pacific region. The Asia-Pacific Heads of Maritime Safety Agencies forum, referred to as APHoMSA was created in 1996 and promotes safe, secure shipping and a clean maritime environment within the Asia-Pacific region bringing together senior maritime officials on a regular basis. Australia acts as the secretariat for APHoMSA.

Port State Control in Australia

Our regional co-operation activities extend across all of our operations, including Port State Control. We support regional action through the Tokyo and Indian Ocean agreements on PSC and regularly provide training programs to our partner agencies in the region.

Our PSC inspection programme, based on the risk profiles of arriving ships, is world-renowned best-practice. This risk-based approach to PSC resulted from extensive study and trials of estimating ship risk over several years. Our risk identification approach has proven to be highly effective. That is, ships predicted as higher risk are more likely to have deficiencies than others, and subsequently more likely to have a greater number of deficiencies found per inspection.

We have seen the average ship risk steadily improve over the last decade. The greater proportion in lower risk ships allowed a reduction in the overall rate of PSC inspections without reducing the focus on higher risk ships. This released our marine surveyor resources to give greater attention to other risk areas, such as cargo safety and occupational health and safety. This initiative has allowed us to increase the effec-

tiveness and efficiency of our ship and cargo safety programs, despite an increase in ship arrivals.

In 2013, the commercial shipping industry continued to grow, although port arrivals rose by a more modest extent (2.3%) than in recent years, with 25,699 visits to 70 Australian ports by 5,447 individual foreign ships. This increased activity was boosted, though, by many of these ships being larger, as the theoretical carrying capacity per port arrival rose by 7.8%, resulting in an overall increase of a little over 10% in the total carrying capacity of this fleet. AMSA conducted 7,405 safety inspections of all types covering 3,294 of these ships and/or their cargoes, including 3,342 port state control inspections on 2,950 ships.

Ensuring a competent and fairly treated maritime workforce

The capability of seafarers is just as important for safety as the technical specifications of the vessel itself. There is growing international awareness of the importance of effectively managing the human element in vessel safety. AMSA sets standards for the certification, training and competence of seafarers to work on Australian vessels by working with seafarers, training organisations and industry. A key focus is to maintain Australia's reputation for training skilled seafarers, and to support seafarer career progression from the smallest domestic commercial vessels to the largest trading ships.

A new series of Marine Orders, 70, 71, 72 and 73, for marine qualifications will come into effect on 1 April 2014 which reflect the changes to the STCW Convention known as

the Manila amendments. The Orders have been designed to allow career pathways for seafarers who operate in the near-coastal sector and gain a STCW qualification.

AMSA has recently created a Human Factors section which is currently researching, in consultation with nominated universities, the level of safety culture on board ship and the practicality of introducing a risk based fatigue management system.

As the sustainability of the shipping industry relies on our skilled seafarers, their welfare must be our priority. On 20 August 2013, the International Labour Organization's (ILO) Maritime Labour Convention, 2006 (MLC, 2006) entered into force internationally. Australia has a good reputation for the treatment of seafarers and is a strong supporter of the MLC, 2006.

We were one of the first 30 countries to ratify the convention, doing so in December 2011. AMSA is the competent authority responsible for regulation of the convention and its requirements in Australia. The Navigation Act 2012 (Navigation Act) contains provisions that implement the MLC, 2006 as does Marine Order 11 (Living and Working conditions on vessels) 2013. In preparation for the implementation of the



A seafarer on board a container ship. Port Botany, New South Wales.

MLC, 2006, our marine surveyors underwent extensive training on the convention and we hosted several information sessions for stakeholders.

AMSA has to date certified around 30 ships for mandatory MLC certification and has detained around 8 ships for MLC related matters. AMSA have held forums and workshops on seafarer welfare and created the Australian Seafarer Welfare Council. AMSA is committed and is actively engaged with welfare providers and its work with these bodies has helped resolve many issues, such as wages, repatriation, health and seafarer wellbeing. AMSA will work with all

the maritime stakeholders to ensure that the MLC is effective and serves its purpose.

Looking forward

In north-east and north-west regions of Australia the ongoing growth in commodities exports is resulting in significant increases in shipping activity, both at the major ports and offshore. Over the next decade, shipping growth in Australia is anticipated to be in the order of 80%.

The increased shipping traffic also means increased pressures on our marine environment and a need for even greater vigilance to enforce our maritime safety and environmental protection measures. This is particularly important given our busy north-east and north-west regions are home to some of our most pristine marine areas. In the north-east, we have the Great Barrier Reef and Torres Strait, both IMO-declared Particularly Sensitive Sea Areas. In the north-west, we have the Ningaloo and Shark Bay World Heritage Areas.

We manage several initiatives to protect our sensitive sea areas from the impact of shipping. These include:

- Managing an extensive networks of around 500 aids to navigation around Australia;
- Applying international conventions that regulate discharge of waste from ships in Australian waters;
- Co-ordinating marine pollution preparedness and response services, and maintaining stockpiles of response equipment around the country;
- Reviewing our PSC program – expanding our resources and workforce, as



North Reef Lighthouse, Queensland – a rare example of a lighthouse built on a coral reef.

needed, to allow a greater focus on specific risk areas and to address increasing workloads at higher growth ports;

- Providing a response to shipping incidents, including a 24-hour emergency towage service;
- Managing, in co-operation with Maritime Safety Queensland, the Great Barrier Reef and Torres Strait Vessel Traffic Service, REEFVTS;
- Managing an under keel clearance management system in the Torres Strait, which provides a prediction of the distance between a ship's hull and

the seabed by using information inputs such as tides and the ship's draught and speed;

- Regulating coastal pilotage, including pilotage providers and pilots across four pilotage areas: the inner route (from Cape York to Cairns), Torres Strait (including the Great North East Channel), Hydrographers Passage and the Whitsundays;
- A network of Shipping Fairways off our north-west coast designed to reduce the risk of collision by directing large vessels such as bulk carriers and LNG ships



Graham Peachey

into pre-defined routes to keep them clear of offshore infrastructure such as oil and gas rigs;

- A soon-to-be-finalised North-East Shipping Management Plan that recommends new and enhanced safety measures that might be needed as shipping activities increase in the Great Barrier Reef, Torres Strait and Coral Sea.

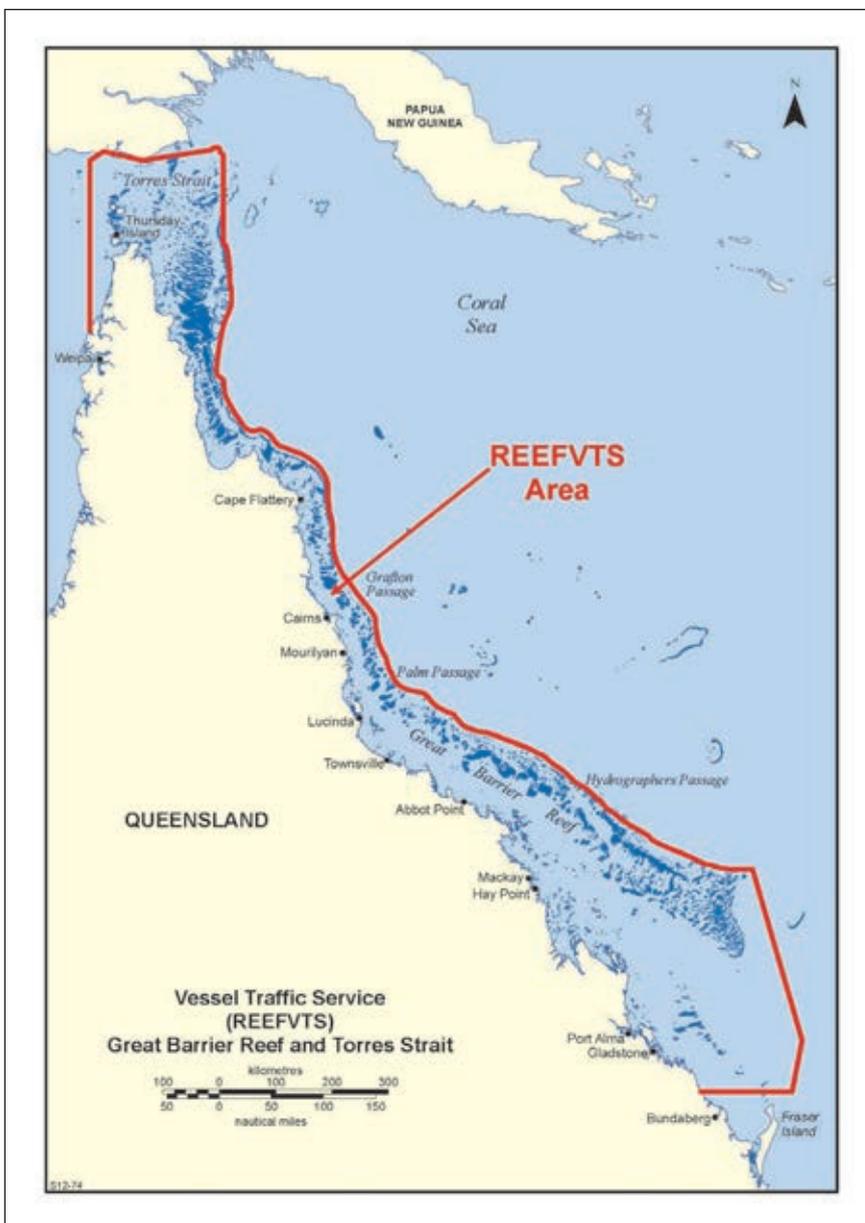
Although geographically different, Australia is not alone in its maritime challenges, nor in the way we address them. As the shipping industry brings the world together through trade, it also unites maritime nations as we strive to work together to improve our processes and practices.

That is why Australia, and AMSA, is committed to being an active participant of fora such as the IMO and APHoMSA. We will continue to strive to achieve a balance between protecting our marine environment and addressing the needs of the shipping industry. ■

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Editor's Note: Graham Peachey is Chief Executive Officer of the Australian Maritime Safety Authority.



REEFVTS coverage area, Queensland.

Big data in shipping: supporting efficiency today, creating safer ships tomorrow

From a term that was somewhat obscure just a few years ago, these days it is almost impossible to avoid the term “big data” in a shipping industry context. Big data, it seems, is the future. But what does it mean to the industry now and what will it mean in the future?

As a classification society, ABS finds itself standing squarely at the crossroads between long term regulatory policy and the realities of today’s operations. It’s a position that provides us with a unique perspective from which to discuss the impact of big data on the industry in the coming years and decades to come.

The management of big data is defined as the organisation, administration and governance of large volumes of both structured and unstructured information. It is how we manage the enormous pools of data that

modern computing, sensing, tracking and associated technology can collect.

Big data and its potential as an agent of change has two distinct, but related facets. The first is its ability to be applied in the near-term, to support improved operational performance of new and existing vessels. Its second, longer term impact, is on the safe design and operation of future assets.

The first facet will, to some extent, lead the way for the second. By creating the conditions where class works closely between regulators and industry to verify performance

and support an overall more efficient and sustainable industry, it can help to provide proof of concept that big data has a central role in shaping the ships of tomorrow.

In the process, big data can become the glue that binds the industry, regulators and class into a relationship from which all can benefit. The ability of regulators, owners, operators and class to leverage data to provide enhanced decision making, insightful discoveries and process optimisation that foster an industry which is safer and more efficient is an exciting prospect, with shared dividends by all parties.

Achieving operational efficiency

The fundamental responsibility of class is to develop the specific standards that allow designers, builders and ship owners to meet safety requirements in a practical, sensible, technically sound and integrated manner.

For much of its history, classification has focused on the hardware; the engineering side of safety both in setting its own standards and in its important role as technical adviser to the International Maritime Organization (IMO). More recently, its responsibilities have grown to include software verification, management and quality standards, design and performance metrics verification, ship security and, most recently through the Maritime Labour Convention, on board living and working conditions.

In this data-driven world, millions upon millions of data points are available for collection every day in the marine industry. Classification is thus already moving



The management of big data is defined as the organisation, administration and governance of large volumes of both structured and unstructured information.



The ship of the future will be a truly wired, sensory laboratory, built to comply with appropriate goal-based international standards.

to embrace a generation of safety and environmental systems which place greater emphasis on not just certification but performance verification. ABS is developing tools and techniques, and building a data architecture to take advantage of its existing data and link it in new ways with other data, to create information that supports decision making.

By capturing the power of big data and through predictive analytics, ABS can offer complete lifecycle performance services that complement traditional classification, create enhanced insights and enable better decision-making on making critical operational matters.

To harness this volume, variety and velocity to create a data-driven classification cycle, we need to have the right data and advanced software tools. There is little sense in trying to develop standards for the digital age using what are effectively analogue-era practices. This is especially so as we move into the next generation of safety, environmental and risk-based systems.

Areas such as energy efficiency are becoming increasingly important, thanks both to the regulatory drivers provided by IMO and for more prosaic reasons of fuel costs and asset productivity.

New, supposedly energy efficient, designs being offered by shipyards are creating interest and orders from ship owners around the world – even if some of their merits are still being debated. Designers, naval architects, marine engineers, researchers, machinery manufacturers – almost every sector of the industry – are working hard on new and innovative approaches to reduce pollution, improve energy efficiency and curb the carbon footprint of ships in the future.

Who will verify that the installed exhaust gas scrubber does what it is supposed to do, not just when newly installed but after four, six or more years of operation and possibly imperfect maintenance? Who will confirm that the verified EEDI of a new design is a fair indication of its subsequent performance?

Without doubt many of these responsibilities will fall upon class. But verifying this level of performance will require a much greater degree of transparency than currently exists. It will require sharing data between manufacturers, owners, operators and class to an extent that simply does not occur at present, whether because of traditional practices, contractual obligations or merely a lack of trust.

At present, such co-operation may be limited by the proprietary nature of the infor-

mation to which we have access, whether it is the real condition of the ship, as known to the owner, its class information, protected by contract, or other information such as the CDI and SIRE databases to which access is limited even to class. The lack of access to complete information on the condition of the vessel, and the fear of liability, leads the charterers and port states to perform multiple levels of vetting and inspections, which, needless to say, is a source of frustration to the industry.

Access to this kind of structured information is essential if we are to move the development and application of classification standards from today's largely empirical approach to a fully risk-based approach.

If we are to perform this kind of verification and in the process move the traditional class survey regime and future design development to a more scientific basis, we must start by sharing and analysing operational data to a degree that is simply not possible within current operational confines. Most importantly, we must take this new knowledge and feed those lessons into the classification rules of the future.

For this to happen, regulators and industry need to work together to create an environment that will allow all stakeholders to co-

operate in an open and constructive way. Through the application of the risk-based principles the class survey can become more focused, less intrusive and far more efficient than at present.

Regulations of the future

The application of big data to the ship of the future is a fairly straightforward evolution, but the changes it will usher in promise to take shipping in a new direction in terms of how these stakeholders interact. Put simply, the Regulations of the Future must go hand in hand with the Class of the Future.

ABS believes that going forward, it is imperative that regulations become risk-based and it is encouraging that the IMO has already embraced the concepts of goal-based standards and risk management even though they are, as yet, narrowly applied. Risk methodologies are themselves based on the accumulation and analysis of relevant data. In other industries the collection and analysis of such operational data is increasingly commonplace. In the shipping industry, by contrast, we have scarcely begun.

It is for this reason that we continue to work with a preponderance of prescriptively-based, not to mention increasingly onerous and outdated, regulations and standards. This outdated prescriptive approach, which still dominates regulatory and class standards is the single biggest handicap to genuine technical innovation and future engineering breakthroughs in our industry. Class has a crucial role to play as the accepted and trusted self-regulating mechanism and principal technical adviser to the IMO.

ABS is a leading provider of classification services to the offshore energy industry, a sector which is far more focused on risk management and has fewer prescriptive requirements in developing new designs. The technical innovation in the offshore industry is astounding when compared to that in most sectors of shipping.

It is in part why we introduced risk-based criteria for the evaluation of novel concepts years ago. It is innovation that now allows an ultra-deepwater drillship to maintain position in 12,000 ft. of water, drop a drill

string to the seabed and then drill a further 35,000 ft. into the earth's crust and do this repeatedly and safely. It has, for example, led to the design and development of spars of widely differing designs, tension leg platforms and other technology breaking concepts to handle the production of oil and gas offshore.

So what is necessary in order to unleash the same technical innovation forces within shipping? The first and most important challenge is to figure out how we, collectively, can better gather and share the essential data that are needed to frame sensible risk-based regulations and more focused, efficient and effective classification standards in the future.

Achieving this requires the collection, analysis and application of some very big data as the foundation of future risk-based standards. To do this means breaking down some long-held traditional functional and legal barriers. We have the technical capability to collect petabytes of operational data from a newly-delivered ship throughout its entire service life.

Multiply that data by every ship entering service and the scale of the opportunity becomes clear. From these databases, fully-developed and properly targeted risk profiles can be developed not only for each ship but for all the principal equipment on board, from the main engine and generators to individual components, to specific elements within the hull structure itself.

The ship of the future will be a truly wired, sensory laboratory, built to comply with appropriate goal-based international standards. It will have been approved by the applicable risk-based criteria for its type and size. Its owner will have access to a wealth of operational data that can be used to improve its operational efficiency and safety compliance.

Class surveys throughout its life will be more focused, less intrusive and far more efficient based on the ship's risk profile. The 24/7 operational data that a specific owner shares with class, could also be provided to other owners with the same type and size of ship, owners of vessels with the same machinery and equipment, owners



Howard Fireman

with vessel's in similar trading patterns and so on.

Towards the class of the future

In some quarters of the industry, this will be viewed as a radical departure. But we must begin thinking in these terms if we are truly to raise the bar not just on operational efficiency but on safety too.

While such an approach is a fundamental shift from where we stand today, ABS believes that ultimately it would be more effective. The ultimate goal is to always raise the bar for safety, reduce the risk of incidents and operate in a cleaner, more efficient industry.

How well we collectively respond to this challenge will depend on how far both the industry and regulators are prepared to go in embracing new approaches to collaboration and transparency that big data will help to make possible. ■■

Editor's Note: Howard Fireman is Senior Vice President, Asset Performance Management and President, Nautical Systems Product Line at ABS. He joined ABS in February 2013 after a distinguished 35 year career with the US Navy, where he served as Chief Naval Architect and was recognized as a leader in the areas of ship design, hull form optimization, total ownership cost management, systems engineering, design integration, research and development, and operational support.

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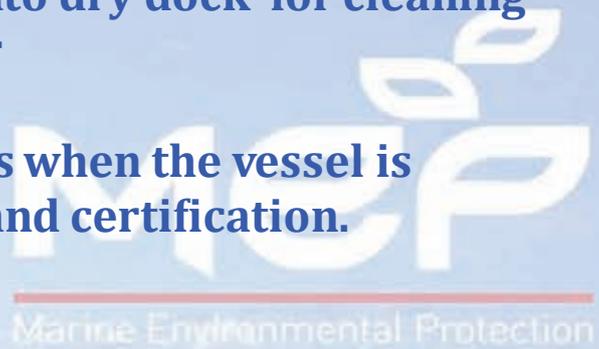


“The ocean is the life of the future.”

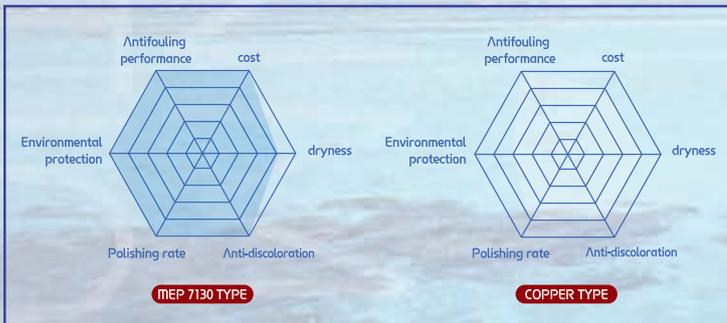
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We give a warranty that with 500 micron thickness of “AF”, the vessel will be freed from going into dry dock for cleaning and repainting the bottom every year

This could be done once every 5 years when the vessel is dry docked for classification survey and certification.



Analysis of the difference from the existing product



Category	Toxin (Cu ₂ O)	TBT (Organic Tin)	Durability
MEP AF Paint	0%	Not	Strong
Existing AF Paint	40%	Not	Weak
Category	Profit-Ability	Economic feasibility	Other remark
MEP AF Paint	Strong	Strong	Eco-friendly
Existing AF Paint	40%	Not	Not Eco-friendly

Features of the Antifouling Paint

The antifouling paint is designed more durably and economically than the existing Tin & Copper free antifouling paint.

MEP products are eco-friendly and the ultimate in technological development.



IPIECA: providing leadership to the oil and gas industry on environmental and social issues

IPIECA is celebrating 40 years of promoting good environmental and social practices to the industry. IPIECA is the global oil and gas industry association for environmental and social issues. Covering both the upstream and downstream sectors of the industry, it is devoted to fostering improvements in environmental and social performance from the earliest phases of exploration to the end-use of the oil and gas that our members produce.

The membership is broad, covering 36 individual companies who together, are responsible for over half of the world's oil output, as well as 16 associations, forming a network representing over 400 oil and gas companies.

IPIECA has been around for almost 40 years. Back in 1974, when the United Nations Environment Programme (UNEP) was created, industry was asked to identify central points of contact. The petroleum industry was one of the first to act on this request and although there were already existing national and

international associations concerned wholly or partially with environmental affairs, none of them covered all petroleum operations in a global context.

As a result, in March 1974, IPIECA was established as the channel through which all parts of the industry could efficiently communicate with UNEP and subsequently, with other related inter-governmental agencies involved in the implementation of the system-wide environment programme.

Today, IPIECA remains the only global association involving both the upstream

and downstream oil and gas industry on environmental and social issues and continues to be the industry's principal channel of communication with the UN.

When IPIECA was set up in 1974 the acronym stood for the International Petroleum Industry Environmental Conservation Association. In 2002, recognising that this no longer accurately reflected the breadth and scope of the association's work, IPIECA stopped using the full title. The association is now known as IPIECA, the global oil and gas industry association for environmental and social issues.

Role and work of IPIECA

IPIECA provides leadership on environmental and social issues for the oil and gas industry by enabling performance improvements by developing, sharing and promoting good practices and solutions, informing global policy and external stakeholders on relevant issues and anticipating challenges for the industry by scanning and assessing emerging issues and developing actions.

IPIECA members work together to address a wide range of issues within three broad themes: climate and energy, the environment, and social responsibility. Specifically, it is structured in working groups made up of approximately 500 representatives from member companies focusing on issues including biodiversity, climate change, health, oil spill preparedness, operations

A broad membership – logos of IPIECA members



and fuels, sustainability reporting, social responsibility and water. IPIECA has also consultative status with the UN to represent the industry at the global level on environmental and social issues.

The IPIECA water management framework

In August 2013, IPIECA launched a water management framework, designed to enable oil and gas companies to prioritize and address key water management issues, foster best practice, and standardize data collection. The IPIECA framework also provides a platform for broad external communication of achievements, goals and progress. Although the oil and gas sector consumes lower volumes of water than many other global industries such as agriculture, water supply and electricity production, it remains a significant user and recognises the need for responsible management of water resources as a contribution to global sustainability efforts.

The framework provides a practical cyclical process of planning, implementation, evaluation, and management review, and can be used at both corporate and project levels, and over various project phases and planning periods; running through its core is a commitment to stakeholder and regulatory engagement.

The framework is the outcome of several years of work and discussion among IPIECA member companies and with other stakeholders, which has been given added impetus by growing global concerns over water resource management and issues such as regional scarcity and water source pollution. With increased public concerns, and greater government and NGO focus on industry's use and management of water, IPIECA needed to respond and be open about the current activities and future plans.

The oil and gas industry has a decades-long history of extensive, responsible and successful water management. For IPIECA, water is an essential commodity that can be expensive to treat both before and after use. But the industry has never talked publicly about what it has been doing and there are major misconceptions about how much water the sector uses and how it manages the resource. The IPIECA framework seeks to remedy this.

The business and human rights project

The oil and gas industry operates in complex environments where human rights



issues are a central concern. In June 2011, IPIECA launched a three-year project to provide members with a forum for sharing good practice on human rights due diligence and grievance mechanisms, and to help oil and gas companies implement new and emerging international guidance on business and human rights.

This project, building on a decade of activity by IPIECA on business and human rights, focuses on peer learning, industry guidance and participation in external initiatives. During the last two years, IPIECA has launched a number of publications designed to enhance the capability of oil and gas companies to manage human rights issues and their impacts in business operations focusing on due diligence and grievance mechanisms. This also includes a Human Rights Training Tool, designed to improve companies' capabilities in managing human rights issues and their impacts on business operations, suppliers/contractors, provision of security and community engagement, through employee training.

The global initiative: partnership for enhanced oil spill response

The Global Initiative (GI) programme was established in 1996 by IPIECA and the International Maritime Organization (IMO) and today continues to expand its work on reducing global oil spill risk in priority locations. The programme helps countries to develop national structures and capability for oil spill preparedness and response.

The GI has made significant progress in improving oil spill response capability,

through organising regional and national workshops as well as training courses and exercises that encourage better communication and co-operation between government and industry. These activities support the development and implementation of national, regional and sub-regional oil spill contingency plans, and encourage the ratification of relevant international conventions. It also helps regions by developing specific tools – such as sensitivity mapping – that help preserve environmentally sensitive areas (such as protected natural sites or species) and the local economy (including fisheries and tourism).

In recent years, the GI has continued to build its existing programmes in the Mediterranean, Caspian, Black Sea and Central Eurasia and West, Central and Southern Africa, as well as expanding into new regions including South East Asia and China. IPIECA is also currently scoping the potential for a specific programme in East Africa.

Leaded gasoline phase-out campaign

In 2000, nearly 100 countries were still using lead in gasoline and IPIECA played a central role in getting the industry to agree an approach and then helping inter-governmental organisations to persuade countries to remove lead.

The campaign to phase out lead gained real momentum in 2002, when the Partnership for Clean Fuels and Vehicles (hosted by the United Nations Environment Programme) was formed. IPIECA, as a leading member of the partnership, provided data and resources to help plan and imple-

ment the phase out. As a result, lead use has been phased out in most countries with the remainder expected to have stopped using leaded gasoline during 2014.

As Achim Steiner, UN Under-Secretary General and UNEP Executive Director, has said, “it is clear that the elimination of leaded petrol is an immense achievement on a par with the global elimination of major deadly diseases. This will go down in history as one of the major environmental achievements of the past few decades. It is a triumph of diplomacy and public-private collaboration.”

Other areas of work: marine fuels

In 2008, the IMO agreed measures to limit polluting sulphur emissions from shipping. The sulphur limit for fuel use in seas other than specially designated Emission Control Areas (ECAs), which have stricter limits, is currently 3.5%, and will be reduced to 0.5% in 2020 or 2025 – subject to a review of the availability of 0.5% sulphur fuel.

IPIECA has been an active participant during the discussions within IMO’s Marine Environment Protection Committee and its supporting sub-committee that led to the adoption of the revised Annex VI.

As the options under consideration included options that would have major impact on the refining industry and its ability to provide compliant fuels to the shipping industry, IPIECA has contributed relevant information on these issues to the debate, often in close co-operation with shipping organisations such as OCIMF.

More specifically, IPIECA raised concerns on the potential fuel supply, which contrib-

uted to the inclusion of a Fuel Supply review provision in Annex VI, ahead of the implementation date of January 2020 for a global sulphur cap of 0.50% S. It is critical that the fuel supply review should be conducted using publicly available information as IPIECA members cannot expose supply strategies or business plans due to the competition law.

This fall in global limit from the current 3.5% to 0.5% makes the role of refining crucial in meeting the market demand as they need to ensure that there is fuel availability. However, switching to low sulphur fuels require significant time and major capital investments for planning, engineering and construction. As IPIECA stated on the IMO World Maritime Day 2013, all options should be kept open to meet the Annex VI sulphur requirements. Options include the use of exhaust gas cleaning systems and the use of LNG or biofuels.

The 2015 and 2020/2025 marine fuel sulphur requirements are creating major challenges and uncertainties for refining, fuel supply and shipping industries. Uncertainties rely on the implementation date of the 0.5% sulphur regulation (2020 or 2025) and which mix of energy sources the free market will use to meet any requirements in the most economical way.

IPIECA 40th Anniversary

IPIECA is celebrating 40 years of championing best practice on environmental and social issues across the global oil and gas industry. The anniversary celebrations will include a conference and gala dinner in London to showcase how IPIECA has harnessed the power of partnership to address



Brian Sullivan

key environmental and social challenges around the world.

Building on the progress that has been made over the past 40 years, the conference will look ahead to what more can be achieved through IPIECA’s leadership in the 10 years to 2024, for the 50th anniversary. The event will feature high-level experts and industry leaders from around the world as speakers, and will include interactive discussions amongst participants to help develop a strong vision for the future. ■■

Editor’s Note: Brian Sullivan is Executive Director of IPIECA and a member of the SPE Sustainability Committee.

Brian joined IPIECA as Executive Director in 2011, following a 23 year career in BP. He graduated in metallurgy and materials science from Imperial College, London, and was recruited into BP’s Refining and Marketing international graduate programme in 1986. Over the course of 23 years his career included assignments in London, Copenhagen, Budapest, Athens and Johannesburg, and business experience in over 60 countries.

During his time with BP he has had a varied career, with technical, commercial, financial and leadership roles across the downstream value chain including crude and products trading, marine fuels, lubricants and alternative energy.

For more information about IPIECA or any of its work see www.ipieca.org





BIMCO Intervention works!

On 22 November 2013, acting on behalf of one of our agency members, we approached an owner who had left a balance on disbursements in the amount of USD 37,800 and suggested that remittance of the said amount be arranged without delay. Two weeks later our member confirmed receipt of the amount due.

On 26 November 2013, acting on behalf of one of our owner members, we approached a charterer who had left balance freight and incurred demurrage in the amount of USD 6,000 outstanding and enquired as to the reasons for the delay. Having received no response, we followed up on 17 December, cautioning the charterer of the potential consequences of a lack of payment and finally, on 13 January 2014, our member confirmed receipt of the said amount.

On 19 December 2013, acting on behalf of one of our agency members, we approached an owner who had left a balance in the amount of USD 3,800 on disbursements outstanding and enquired as to the reasons for the delay in payment. The owner responded promptly and three weeks later our member could confirm receipt of funds.

On 21 January 2014, at the request of an agency member of BIMCO, we approached an owner who had left a balance on disbursements in the amount of USD 1,600 outstanding for several months and enquired as to the reasons for the delay in payment. The owner responded promptly and ten days later our member confirmed receipt of the said amount.

Also on 21 January, at the request of one of our agency members, we approached an owner who had left a balance on disbursements in the amount of EUR 300 outstanding and enquired as to the reasons for the delay in payment. Two weeks later our member confirmed receipt of the said amount.

In early February, at the request of one of our agency members, we approached an owner who had left a balance on disbursements in the amount of EUR 3,700 outstanding for almost a year and urged him to arrange for the remittance. Ten days later, our agency member confirmed receipt of the said amount.

Over the last five years, BIMCO has assisted members in collecting an average of USD 5.9 million p.a.

Further information

Read more about this service here:

https://www.bimco.org/en/About/Company_information/Intervention.aspx

Building in resilience

Is it possible to “design out” failure, so that accidents just will not happen? The answer must be in the affirmative, if one considers situations where the consequences of failure are so catastrophic that they cannot be contemplated.

The nuclear industry, the train operating systems of high speed trains, much of aviation, is organised in such a fashion, the whole cost structure of each being predicated on “ultimate” safety.

In the maritime world the word “practicality” inevitably intrudes into such a question. It is possible to design the “unsinkable” ship, but at such a cost that its operation may well become uneconomic. A more practical strategy, it might be thought, is to attempt to properly assess the threats that might arise in the operation of ships, understand their likelihood and then put in processes that will mitigate their effects, should the worst happen. It is not considered unreasonable, when the sheer number of ships at sea and the tiny

percentage of voyages in which there is a serious accident, are considered.

Mitigating strategies

The duplication of ship systems, double hulls, fire safety zones, intensive simulator training, might all be regarded as means of mitigating the effects of failure. The latest “return safely to port” designs for new large passenger ships can be seen as a “top of the range” response to risk assessment where the consequences of having to abandon such a ship *in extremis* are regarded as largely unacceptable.

Mitigating strategies tend to evolve from the study of accidents which have regrettably occurred and the lessons that can be learned from them. This makes it dou-

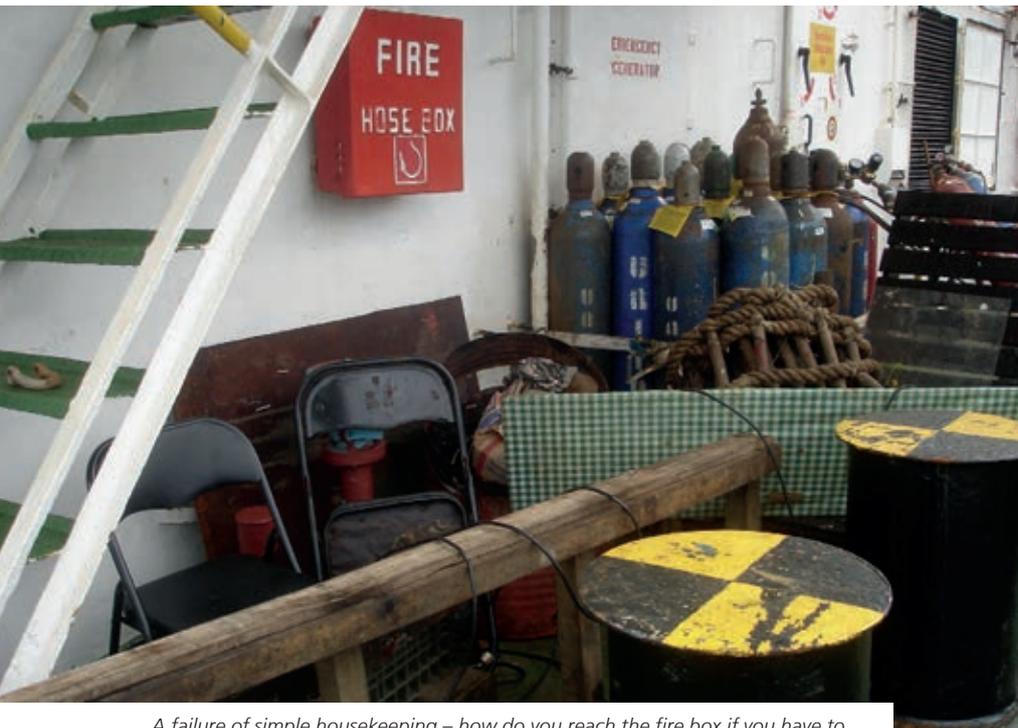
bly necessary for the lessons learned to be widely shared, by proper accident investigation and the promulgation of reports. It is a two-way business, as those responsible for design and ship operation, in addition to regulators, need to keep their sensors sharp, to be alert to intelligence that may be relevant to safety.

The warnings may not necessarily emerge from the shipping industry, but may appear elsewhere. Some years ago, there was a disastrous fatal fire in a shipyard when a certain type of insulation that was being applied ignited and gave off toxic fumes which killed a number of shipyard workers. Shipbuilders quickly stopped using this material. But several years before this event, the hazards of this insulating material had been discovered in the mining industry, when its lethal qualities had killed workers in a fire underground. Sadly, there is often no effective system of “cross-border” intelligence between industries.

Staying alert to hazards discovered elsewhere

In more recent years there have been maritime reminders of how necessary it is to stay alert to hazards that may have been discovered elsewhere. The cruise sector was given a painful lesson when the appendages on balconies – the furniture, the flooring and the dividers between each balcony aboard a large ship – all caught fire after a carelessly dropped cigarette ignited a towel left on a chair, swiftly fanned into a raging inferno that crossed several fire boundaries and cost a life.

Fire experts pointed to the fact that the flammability of all the materials was well known and provided for in shoreside building regulations. But the ship designers had failed to translate these matters into their own maritime context. Mooring ropes and



A failure of simple housekeeping – how do you reach the fire box if you have to climb over piles of junk? See also the hazard to life and limb on the stairs.

artificial turf on cruise ship upper decks have also been identified – the hard way – as providing risks of serious fire, which would have been recognised by professional fire experts for their inherent hazards, had they been asked.

The enormous cost of failure

The Institute of Marine Engineering, Science and Technology recently held their 3rd Prevention of Marine Failures Conference, which offered some useful pointers on how the cost of failure, which often has the potential to be enormous, can be avoided. Clearly, intelligence – assessment of risks, their consequences and their potential frequency – will play a major part in the development of practical strategies. Something that emerged from this meeting was the need to avoid complacency, to plan for the possibility of failure and allow for the untoward occurring. The experienced pilot, conning a large ship into port, offers a good analogy, with the prudent person always having a “Plan B” and an “escape route”, should there be some serious malfunction of the ship or its systems, or indeed some unexpected occurrence on the route ahead.

The need to build in a degree of resilience to the organisation, the ship and its systems was one of the points emphasised. Understanding the vulnerabilities of computer-based systems, or the risks of electrical problems multiplying to leave a ship disabled are areas that need attention. There has clearly been a tendency for systems to become more sophisticated, which itself implies a certain concern, should they “go down”, leaving the crew, which might have largely been relegated to a role of oversight while the systems were working correctly, uncertain of the correct recovery drills. The Nautical Institute, while sophisticated eNavigation systems were being developed, have, in the past, pointed out the need for a simple “default” option to which the system might revert, if it went wrong, that will still leave the operator with options.

The role of organisational failure in the causation of accidents was considered at the IMarEST conference, with Nautical Institute Vice-President Captain David Snider pointing out the importance of a

safety-driven, rather than a “results” culture, where, for instance, the schedule was “king”. There were, he said, risks inherent in a blind trust in systems, or a belief in the infallibility of technology, which might have been introduced with the best possible motives, but with a failure to properly train people in its use.

Problems “locked in”

The contribution of “maintainability” to resilience is often underestimated, notably as part of the design process, where problems are often “locked in” at the point of construction or detailed fitting out, leaving parts of the ship’s structure, or items of important equipment, difficult to maintain without a major overhaul and removing parts of the vessel. Some have suggested that the spaces between double hulls are so difficult to access that if the original coating breaks down, it is cheaper to remove large parts of the outer hull, just so that the coating can be restored.

Coating consultant Darren Broderick of Safinah suggested that the coating of a ship is often a poor relation in the design process and in modern shipbuilding technology, despite the increased importance of corrosion control and coatings being better appreciated. Despite standards of coatings being agreed and generally implemented, it is, of course, difficult to assess the success of coatings until they have been in place for 10-15 years. But all too often, he suggests, it is the process in a shipyard of coating the various components that are insufficiently considered in the design and manufacture. A structure might be properly coated, then require reworking expensively because welding or burning has taken place during fitting out. It might be that the sequence of assembly means that by the time the painters come to work on a part of the ship, pipes or components have been inserted so that it proves almost impossible to adequately coat the various elements.

It is this design flow, he asserted, which may well determine the ultimate life of the ship. While modern paints “can do it”, the fact that they only amount to some 2% of the cost of the ship makes the painting process undervalued by those in the design process.



Michael Grey

The fact that the labour involved in coating can amount to up to 25% of the constructional labour costs – possibly 30% in the event of extensive reworking, suggests that there should be a greater value attached to this important process, which will greatly assist in the prevention of structural failure during the ship’s life.

Avoidance of over-sophistication

But maintenance failure that threatens life and limb can be more than structural. Dr. Roger King of Failure Control Ltd. and an expert in the analysis of mechanical accident instanced the failures of shipboard cranes as equipment that was hard to maintain, not least because of accessibility, and the poor design of facilities for greasing. Azimuth thrusters’ gearbox failure was another worrying trend. He also pointed to the tendency to search for the ever lighter hull, with fatigue optimisation as a strategy which may appear desirable in minimising steel weight, but which carries its own increase in risks as the hull wears during a hard life.

There is, perhaps, a need to avoid over-sophistication, to seek the robust and the simple solutions rather than the complex “bells and whistles” approach, which, in the end, may end up reducing the resilience that is required when things take a turn for the worse, as they often do at sea. ■

Editor’s Note: Michael Grey is BIMCO’s Correspondent in London. He is a former Editor of Lloyd’s List and a regular contributor to many maritime publications.

New books

The sea and us

“Sailing is a noble thing, useful beyond all others to mankind. It exports what is superfluous, it provides what is lacking, it makes the impossible possible, it joins together men from different lands and makes every inhospitable island a part of the mainland, it brings fresh knowledge to those who sail, it refines manners, it brings concord and civilisation to men, it consolidates their nature by bringing together all that is most human in them.”

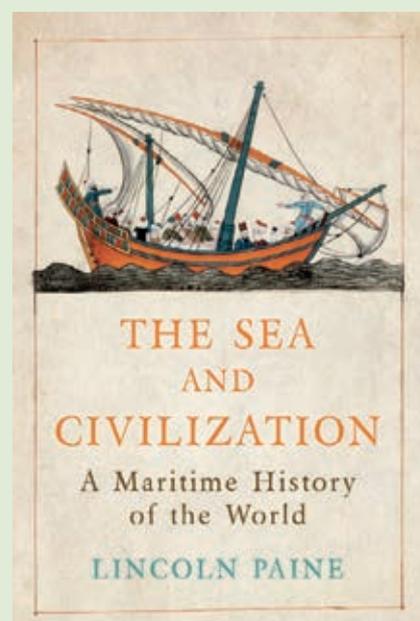
Written 800 years ago by the Byzantine historian George Pachymeres, this might seem a somewhat roseate view of shipping and its benefits, but has a pleasing timelessness that might bring a small swell of pride to the breast of a 21st century shipping person.

It is in fact the penultimate paragraph in a vast and magnificent new book which demonstrates how the sea and man’s relationship with have been a consistent thread since civilisation began on this earth.

The Sea and Civilisation – a Maritime His-

tory of the World is an astonishing piece of work, global in its scope and collecting in a single volume an extraordinary breadth of information.

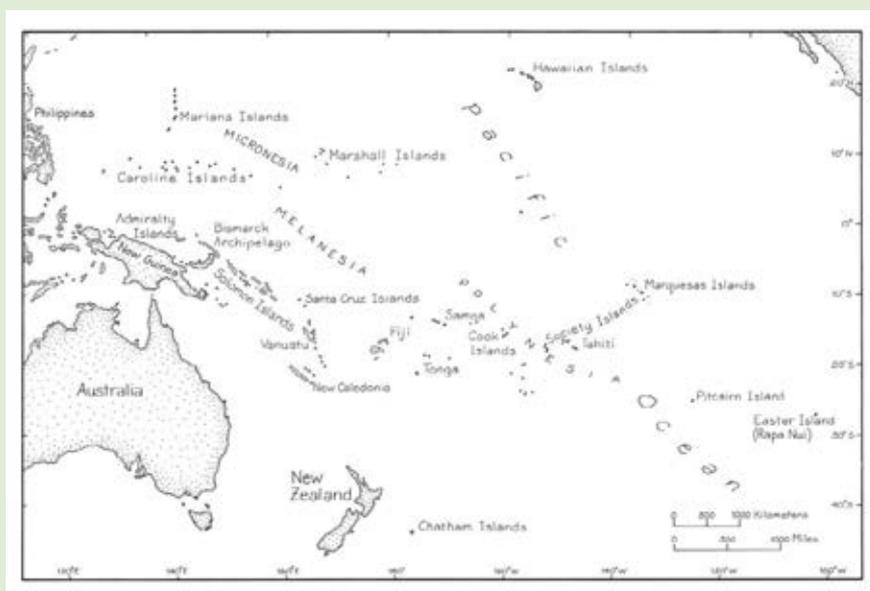
Our history does tend toward parochial or even regional perspectives; we treat, for instance, the European voyages of discovery as if nobody had ever discovered these places before. Lincoln Paine ranges the whole world over some 5,000 years in this exploration of man’s quest to master the seas, tracing the way in which people first came into contact with one another, how boats and ships evolved as the most effective agents of trade in every era, and how goods,



languages, religions and cultures moved across the waters.

The great connector

He shows how the sea which might appear to divide mankind can also be the great connector, how shipbuilding technology developed to suit the prevailing conditions and how the notion of sea power and projection was developed over millennia. The book opens windows into virtually unknown aspects of maritime development; the ancient trade routes of the Indian Ocean and the extraordinary voyagers of the Western Pacific are examples of this. We tend to



From the book: a map showing Oceania.

think of the craft of antiquity as primitive – but in the third Century BC, Ptolemaic Egypt was sufficiently technically advanced to build large craft able to carry war elephants from the coasts of East Africa into the ports of the Red Sea. Even modern stevedores might find the carriage of elephants something of a challenge!

Paine shows how adaptable man can be at harnessing marine technology and has continued to do so. We think of the Phoenicians and the Vikings as notably sea people, but he demonstrates how, time and time again, people whose skills were considered land-based speedily learned maritime strategies as they used marine tools for trade and conquest.

He is particularly interesting as he follows the threads of ship construction and design down through the ages, with ship and boat-builders making the most of what building materials were available to build their craft. We see how good ideas are exported from one part of the world to another. Log boats, lapped planks, the centreline rudder, means of fastening components together and the slow but steady development of sail, different rigs adapted to the prevailing wind conditions of each part of the world.

Full of surprises

There is much fascination in the various sources that make it possible to learn so much about our maritime ancestors. We learn from hieroglyphs, from vases, from drawings and ancient wrecks, which even after thousands of years can reveal something about their construction and their cargoes. Who could possibly realise that a thousand years ago, there was a brisk trade in recycled glass in the eastern Mediterranean, or that the longest voyages in the fifth century were undertaken by Buddhist mariners trading with China, Korea and Japan from their bases in South East Asia? It is a book full of surprises.

The author shows how, in so many parts of the world and in so many different eras,



Pre-Columbian North and Central America: The shaded area indicates the range of the paper birch (*Betula papyrifera*), or canoe birch, and thus of the birchbark canoe.

through the right combination of economic, demographic and technological conditions, maritime endeavour has become a determining force in history. It is a comprehensive and largely successful attempt to show, region by region, how the maritime regions of the world were knit together by these watery connections.

Paine takes his readers back to the dawn of recognisable commercial maritime practice and commercial law, the ancient roots of marine and cargo insurance and the principles of spreading risk. Much of his thread is around sea power, the development of warships and naval strategies as man discovered

the means of projection through ship-borne weaponry and amphibious military skills. He writes of the ancient, interlinked traditions of seafaring and trade, which began in ancient times, but remain so potent in our age of containerisation and giant aircraft carriers, super-tankers and nuclear submarines. In this wide-ranging book, he offers a new and enlightening maritime perspective on the world and ourselves, how the sea made us.

The Sea and Civilisation – a Maritime History of the World is written by Lincoln Paine and is published by Atlantic Books ISBN 978-1-78239-355-9 Price GBP 30.00. ■■

ReCAAP takes the initiative to a global level

BIMCO was invited to attend the Eighth Governing Council Meeting of the ReCAAP Information Sharing Centre (ISC) in March, joining Governors from the nineteen ReCAAP countries.

Australia has become the newest member of ReCAAP and the United States has subsequently submitted its application to join the group. Malaysia attended the 2014 meeting as an observer.

The Council feels that the expansion of ReCAAP membership demonstrates ReCAAP's credibility and growing relevance in the international maritime community, and further underscores the importance of international cooperation in combating piracy and armed robbery effectively.

Joining BIMCO at the meeting were observer representatives from the IMO, the European Commission, the Information Fusion Centre, the Asian Shipowners' Forum, and the Federation of ASEAN Shipowners' Association/Singapore Shipping Association.

Effects of information-sharing

The ReCAAP Council noted the incidents in the region during 2013 continued to be less severe in nature, though the number of incidents had increased slightly compared to 2012. It was noted 77% of the 149 incidents reported in 2013 were petty theft and Category 3 (less significant) incidents, while Category 1 (very significant) and Category 2 (moderately significant) incidents had the greatest decrease year-on-year.

The overall improvement of the situation of piracy and armed robbery against ships in Asia in 2013 demonstrated the effectiveness of the ReCAAP information-sharing network, and operational-level co-operation and collaboration among the stakeholders.

BIMCO updated the Council on progress made regarding a joint effort between BIMCO and the ReCAAP ISC to encourage enhanced reporting by ships. To address this, a ReCAAP training video illustrating the importance of reporting suspicious activity and incidents has been made



ReCAAP ISC Executive Director Yoshihis Endo addresses the Governing Council.

available from the BIMCO website for easy access amongst all stakeholders.

Serious concerns remain

The ReCAAP Council reiterated its serious concern over the piracy situation in the Gulf of Aden, off the coast of Somalia and off the coast of West Africa. The Council noted the relative success in recent years in operational co-ordination of international efforts and the positive work of the Contact Group on piracy off the coast of Somalia.

The Council commended the concrete efforts of the ReCAAP ISC, under its Co-operation Agreement with the IMO, in the implementation of the Djibouti Code of Conduct (DCoC) through sharing of its experiences and expertise as part of the wider efforts of the international community to combat piracy off the coast of Somalia and recognises that there is more to be done to achieve coherence among the growing number of maritime information sharing centres.

Sharing expertise – now and in future

Events in 2013 included the successful conduct of 2nd Centre-to-Centre Dialogue between the ReCAAP ISC and the Regional Information Sharing Centres of DCoC on 4-5 January 2014 in Muscat, Sultanate of Oman, funded by the Special Contribution

of Japan, arising from the need for closer co-operation. The event was supported by the Japanese Ministry of Foreign Affairs (MoFA) and Thailand's Ministry of Foreign Affairs, endorsed by the IMO.

The Dialogue was aimed to provide a platform for sharing the expertise and experience of ReCAAP ISC on engaging national focal points, discuss the technical and operational experiences of the ISCs to date, ways to promote national cross-agency co-operation and practical ways of linking ReCAAP and DCoC training and capacity building activities.

The Council also discussed the "Future of the ReCAAP ISC" and affirmed the need to enhance its relevance. The Council agreed to continue to discuss the "Future of the ReCAAP ISC" with the goal of strengthening ReCAAP ISC's role and raise its stature as an internationally recognised centre of excellence for information sharing.

In closing, the Council reiterated the importance of the ReCAAP ISC being the conduit between the law enforcement agencies and the shipping agencies, called for greater co-operation among the like-minded agencies in suppressing piracy and armed robbery against ships. (TT) ■■

On the Horizon...



DATE	VENUE	EVENT	CONTACT
13 May 2014	Shanghai	Asia Shipping Fortune	Wayne Zhuang: zw@bimco.org
13 May 2014	Odessa	The 17th European Manning & Training Conference	Aron Sørensen: afs@bimco.org
14 May 2014	London	4th Annual Vessels and Access Forum (WINDTIME)	Grant Hunter: gh@bimco.org
14-15 May 2014	New York	Contact Group on Piracy off the Coast of Somalia	Giles Noakes: gno@bimco.org
14-23 May 2014	London	IMO Maritime Safety Committee (MSC)	Aron Sørensen: afs@bimco.org Giles Noakes: gno@bimco.org
14 May-17 Sep. 2014	eLearning	eLearning Course: Dry Cargo Laytime and Demurrage	Mette Juul Madsen: mem@bimco.org
19-21 May 2014	Otsu	Asian Shipowners Forum AGM	Thomas Timlen: tt@bimco.org
19-21 May 2014	Copenhagen	IMSF Annual Meeting	Peter Sand: ps@bimco.org
21 May 2014	Shanghai	China Nickel Conference	Wayne Zhuang: zw@bimco.org
21-22 May 2014	Hamburg	Motorship Propulsion Conference	Lars Robert Pedersen: lrp@bimco.org
21-22 May 2014	Rotterdam	Platts Bunker Conference (SBC)	Grant Hunter: gh@bimco.org
22-23 May 2014	Hamburg	BIMCO Seminar: Using SUPPLYTIME	Peter Grube: pg@bimco.org
27 May 2014	Bruges	9th International Harbour Masters Conference (Virtual Arrival)	Anna Wollin Ellevsen: awe@bimco.org
28-29 May 2014	Singapore	Sea Asia, Offshore Marine Forum 2014	Thomas Timlen: tt@bimco.org
2-6 Jun. 2014	Athens	Posidonia BIMCO stand	Graeme Brown: gb@bimco.org
3-4 Jun. 2014		SHADE	Giles Noakes: gno@bimco.org
4-6 Jun. 2014	Shanghai	Offshore Wind China	Wayne Zhuang: zw@bimco.org
4 Jun.-8 Oct. 2014	eLearning	eLearning Course: Tanker Chartering, Laytime and Demurrage	Mette Juul Madsen: mem@bimco.org
11-12 Jun. 2014	Southampton	Seawork 2014 Conference (WINDTIME)	Grant Hunter: gh@bimco.org
12-13 Jun. 2014	Rotterdam	BIMCO Days at MEL (Maritime, Economic og Logistics faculty) Erasmus University	Henning Nielsen: hn@bimco.org
23-26 Jun. 2014	Genoa	IACS Council C69	Karin Petersen: kp@bimco.org
23-27 Jun. 2014	Shanghai	BIMCO Asia Shipping School	Miaojia Liu: mjli@bimco.org Wayne Zhuang: zw@bimco.org
24-25 Jun. 2014	Houston	Platts Bunker & Residual Fuel Oil Conference	Lars Robert Pedersen: lrp@bimco.org
27 Jun. 2014	Istanbul	Turkish Shipbrokers Dinner	Karin Petersen: kp@bimco.org
30 Jun.-4 Jul. 2014	Copenhagen	BIMCO Summer Shipping School	Peter Grube: pg@bimco.org
30 Jun.-4 Jul. 2014	London	IMO Sub-Committee on Navigation, Communications and Search and Rescue (NCSR)	Aron Sørensen: afs@bimco.org
14-18 Jul. 2014	London	IMO Sub-Committee on Implementation of IMO Instruments (III)	Aron Sørensen: afs@bimco.org
20 Aug.-5 Nov. 2014	eLearning	eLearning Course: Time Charter Parties	Mette Juul Madsen: mem@bimco.org
8-9 Sep. 2014	Bahrain	SHADE (Shared Awareness and Deconfliction)	Giles Noakes: gno@bimco.org
8-12 Sep. 2014	London	IMO Sub-Committee on Carriage of Cargoes and Containers (CCC)	Ai-Cheng Foo-Nielsen: acfn@bimco.org
9-12 Sep. 2014	Hamburg	Gmec/SMM BIMCO stand	Graeme Brown: gb@bimco.org
15-19 Sep. 2014	London	IMO Editorial and Technical Group (IMSBC Code)	Ai-Cheng Foo Nielsen: acfn@bimco.org
21-23 Sep. 2014	Amsterdam	Dry Bulk Europe	Peter Sand: ps@bimco.org
22-26 Sep. 2014	London	Facilitation Committee (FAL 39)	Giles Noakes: gno@bimco.org
24-26 Sep. 2014	Miami	The 3rd Ballast Water Management Technology North America Conference	Anna Wollin Ellevsen: awe@bimco.org
24 Sep.-10 Dec. 2014	eLearning	eLearning Course: Bills of Lading	Mette Juul Madsen: mem@bimco.org
1-3 Oct. 2014	Geneva	BIMCO Masterclass Workshop: Voyage Chartering	Miaojia Liu: mjli@bimco.org
6-11 Oct. 2014	Gothenburg	FONASBA	Søren Larsen: sl@bimco.org
8 Oct. 2014-28 Jan. 2015	eLearning	eLearning Course: Dry Cargo Laytime and Demurrage	Mette Juul Madsen: mem@bimco.org
13-17 Oct. 2014	London	IMO Marine Environment Protection Committee	Aron Sørensen: afs@bimco.org
14-17 Oct. 2014	Singapore	SIBCON 2014 (SBC)	Grant Hunter: gh@bimco.org
16-18 Oct. 2014	Dalian	BIT Oceans Conference	Lars Robert Pedersen: lrp@bimco.org
23-24 Oct. 2014	Aberdeen	BIMCO Seminar: Using SUPPLYTIME	Peter Grube: pg@bimco.org
29-31 Oct. 2014	Hong Kong	BIMCO Masterclass Workshop: Time Chartering	Miaojia Liu: mjli@bimco.org
30-31 Oct. 2014	Shanghai	Tripartite	Lars Robert Pedersen: lrp@bimco.org
12 Nov. 2014-25 Feb. 2015	eLearning	eLearning Course: Tanker Chartering, Laytime and Demurrage	Mette Juul Madsen: mem@bimco.org
17-21 Nov. 2014	London	IMO Maritime Safety Committee	Aron Sørensen: afs@bimco.org
19-21 Nov. 2014	Genoa	BIMCO Seminar: Trading and Carrying Goods	Peter Grube: pg@bimco.org
3-5 Dec. 2014	Antwerp	BIMCO Masterclass Workshop: Bills of Lading	Peter Grube: pg@bimco.org

Checking qualifications in the private security industry

Private Security Company Solutions (PSCS) International Ltd. has developed "DataCheck®" as a solution to eradicate fraudulent qualifications in the Private Security Industry.

The pressure on employers to gain contracts and on personnel to secure employment has resulted in the widespread use of bogus and counterfeit certificates and documents. Modern technology has made the production of fraudulent documentation cheap, quick and easy and much of it is only detectable by the expert eye or by careful checking.

Many industries are affected by this phenomenon but there has been an increasing incidence in the Security Industry. An article in *Lloyds List* in June 2013 suggested that fraudulent certification is a global epidemic in the Private Maritime Security industry and the problem will continue until a system is put in place to police it.

Extremely disconcerting prospect

The prospect of unqualified operatives working in a high risk environment is extremely disconcerting and the consequences could be highly damaging for all concerned but particularly for the security companies and their clients. Failure to effectively screen security operators could potentially lead, at best, to embarrassment and loss of contracts, and at worst, to a horrific incident, costly legal proceedings and the irretrievable loss of reputation. In the employment of security teams, clients will take the measures they deem appropriate to mitigate risk but these vary as can the due diligence carried out by the providers, the Private Maritime Security Companies (PMSC).

The advent of standards and guidelines relating to the conduct and delivery of Private Maritime Security such as ISO/PAS 28007:2012, MSC 1443 and BIMCO's GUARDCON have undoubtedly resulted in better practice. There remains however a lack of definition and detail in the standards

of personnel screening with which PMSCs should comply and what has been communicated is currently not binding. Furthermore, responsibility is devolved to the providers and whilst guidance states what PMSCs should provide, it stops short of advocating independent verification of the credentials of security personnel and sub-contractors.

Thorough screening of MSOs is time-consuming and expensive and some companies lack the HR personnel to complete the task. PMSCs can therefore check their operatives' credentials but their screening might not be sufficiently robust to detect bogus documents and establish beyond doubt that they're fit, in every respect, for employment. Readers will be aware of a number of recent incidents, some with tragic consequences, resulting from Maritime Security Officers (MSO) being employed when they were subsequently discovered to be unfit for work or in possession of bogus qualifications.

A unique solution

To eliminate this risk for PMSCs and their clients and to ensure best practice in the screening of MSOs, PSCS International Limited has developed a unique and wholly independent solution called DataCheck®. The system is essentially an individual security operative membership scheme based on a modest membership subscription fee. Human investigative scrutiny will validate qualifications to the point of issue and accreditation prior to the security operative becoming a fully validated member of DataCheck®.

Once verified and validated, the individual is issued with a DataCheck® photo identity card and a paper counterpart certificate similar to the UK Driving Licence. These documents which will have anti-fraud measures incorporated, will record service history and industry required qualifications. This allows

for visual inspection and validation of qualifications in the field and real time QR code cross-referencing. PSCS International Ltd., on behalf of the security industry globally, provides a 24 hour single point verification mechanism for the checking and validation of field operatives' qualifications.

Positive feedback

Reactions to DataCheck® from all sectors of the security and shipping industry have been very positive. There is widespread acknowledgement that in addition to mitigating risk by ensuring the elimination of fraudulent certificates and qualifications, the system will facilitate the secure movement and easy movement of subcontracted personnel between companies and tasks.

Importantly, DataCheck® has the potential to complement and enhance ISO/PAS 28007:2012 and GUARDCON by providing independent screening, recording and confirmation of MSOs' qualifications. For further information about PSCS International Ltd. and DataCheck® please visit www.pscsinternational.com or contact PSCS International Ltd via datacheck@pscinternational.com. ■

Editor's Note: Andrew Pillar is a Director of PSCS International Limited. He served for 34 years in the Royal Marines. Much of his career was spent in Special Forces and Counter Terrorist duties and included command of the SBS. He retired as a Brigadier and was then employed for 9 years as principal Military Advisor to the Armed Forces of the United Arab Emirates in the rank of Major General.



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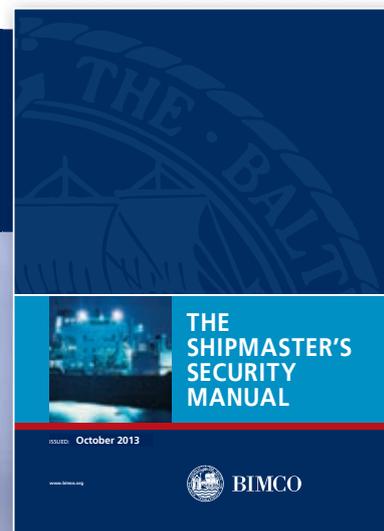
THE SHIPMASTER'S SECURITY MANUAL

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- What do YOU do if boat refugees suddenly appear on the horizon when passing Libyan waters?
- How do YOU best co-operate with authorities to reduce drug smuggling fines?

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Macro Economics

As the recovery continues, new issues attract attention

Global economy

As the recovery continues to move forward, the bumps in the road are both new “friends” and old “foes”. We are still concerned with the lack of inflation in both the US and Eurozone, as production capacity far exceeds demand. In the Eurozone, the European Central Bank (ECB) expect 2014 inflation to be 1%, lower than in both 2013 and 2015. Early indicators suggest that March was the low point of the cycle at 0.5%, coming down from 0.7% in February. Meanwhile the US, which is further down the recovery track, reached the low point of the inflation cycle in 2013, with higher inflation expected in both 2014 and 2015.

Another old “foe” is the quality of Chinese statistics. The nation that shipping is so dependent upon and from where the trading power is very clearly felt on the demand side of shipping, is a black box in terms of hard reliable facts on real economic performance. Meanwhile, we seek comfort in the political ability to deliver on official estimates, like 7.5% of GDP growth in 2014 as announced by Premier Li Keqiang.

As regards new “friends” – the unrest in Ukraine and growing tensions between Russia and the West represents a new downside risk for the global economy to set against the overall optimistic perception of global economic development going forward.

US

Although the US data during Spring is a possible cause for concern, going forward as the fiscal policy tightening fades and consumer confidence remains healthy, the fundamentals should be in place for a self-sustained expansion of the economy. Continued low energy input prices to US production is another positive factor for the economy.

Consumer confidence data from Conference Board supplements the optimistic feel, with a six-year high figure for March at 82.3, and indicates that future job prospects are improving alongside the improvement of the overall economy.

While US imports from China keep growing in value, the pace of growth is slowing. In the first two months of 2014, imports, which are about four

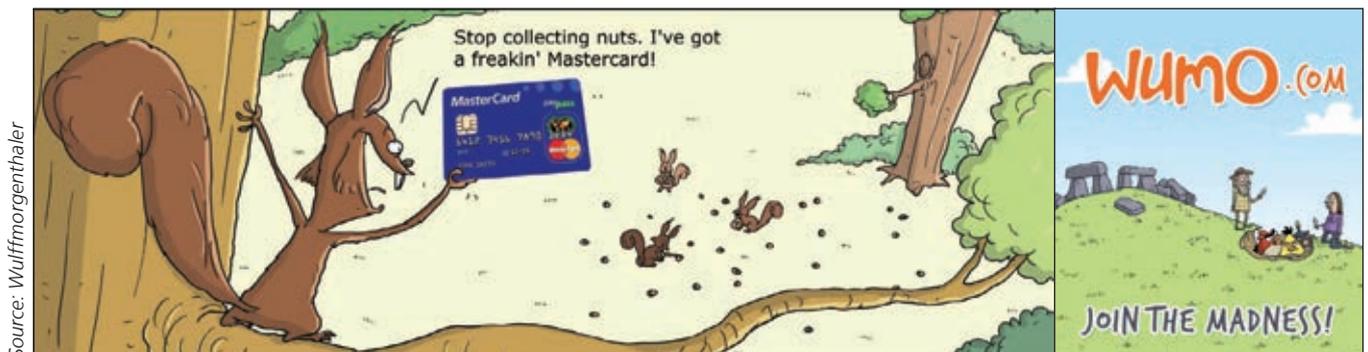
times as large as exports, grew by 1.3% y-o-y, suggesting a zero-growth level in February. However, caution needs to be exercised when analysing the data, as the Chinese New Year makes comparison difficult, but a no-growth level was still below expectations.



US Flash manufacturing PMI fell in March to 55.5 from the 45-months high in February, indicating slightly slower but still positive development, as business conditions continue to improve. The PMI sub-index on new orders indicates that demand is domestically driven, whereas new export orders barely grew.

Asia

In Japan, inflation is still lagging behind the long run target of 2%, coming in at 1.5% in February. Following the 18% depreciation of the Japanese Yen against the US Dollar, corporate earnings improved considerably. Now it is time for that to spill over into wage growth to spur private consumption and keep the recovery on track. As imported goods have become more expensive and thus “boosted” inflation, wages must follow suit and go higher to create a positive inflationary circle. If that does not happen the recovery is likely to



Source: Wulffmorgenthaler



DID YOU KNOW THAT...

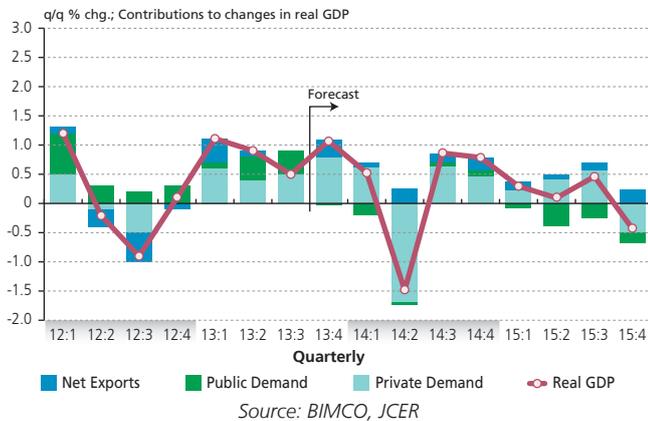
Discounts apply to BIMCO members attending conferences where BIMCO is on the podium?



PETER SAND
BIMCO Chief Shipping Analyst

still. In addition to that, the progress of the necessary structural reforms is very slow and faces strong resistance, despite the current favourable political situation in Japan.

Forecast of Real GDP Growth and Its Breakdown



In India, policy-tightening measures focused on meeting budget deficit targets which will hold back public spending and be a drag on economic growth. The upcoming election has put tightening on hold for a while, with money spent on popular subsidies rather than on much-needed infrastructure investments.

The Indian general election will take place from 7 April to 12 May 2014, with the result declared on 16 May. There is a need for much policymaking and improvements to inefficient bureaucracy to change the fundamentals for this giant nation with such a huge potential to influence the shipping markets. Those changes will probably be put on hold through the election period.

EU

France was the positive surprise in the March figures on Eurozone Flash composite PMI. Coming in at a 31-month high, surpassing the 50-threshold level for only the second time since mid-2011. The improvements were broad-based, with the biggest change, very positively, seen in output and new orders.

On a broader scale, positive signs are coming from many different places. Unemployment seems to have peaked, which is something that supports private consumption going forward. The yield on long-term bonds in Spain and Italy is now coming down to 3.6%.

The recovery in the Eurozone is being helped along by a strong economic performance from key trading partners such as the UK and US. Another top trading partner, Russia, is likely to become a minor drag on economic expansion, as the Crimea crisis begins to affect trade.

ECB seems to believe that the recovery has gained enough of a foothold to refrain from further stimulus. Moreover, inflation should pick up soon, as demand becomes strong enough to put a bit of pressure on capacity. If this should prove not to be the case, we trust the ECB to take decisive action in order to bring the recovery back on track.

European imports from China fared better than US imports from China, coming in at a healthy 4.6% in the first two months of 2014. More on this is the container section.

Outlook

Starting 1 April, the Japanese sales tax will rise from 5% to 8%. Following a drop in household spending in February of 1.5% y-o-y, the March figures should rebound, as we expect spending to go up prior to the tax hike. The coming months, on the other hand, are likely to become softer for Japanese household spending. The big question mark remains how much softer – as the stimulus-driven recovery is still fragile.

Going forward, the key downside risk remains the unlikely event of a hard landing in China, supplemented right now by the growing tensions between East and West related to the developments taking place in Ukraine.

China expect trade growth for the full year of 2014 to hit 7.5%, slightly down from last year. With a relatively poor performance in the first couple of months, we should be in for stronger trading in the remainder of the year. The importance of China to the shipping market is second to none; all major shipping segments benefit.

As of 3 April, China announced a stimulus plan targeted on keeping the economy on its planned growth path. The plan is designed to boost investments in railways and other construction areas to keep up job creation.

If the weather was the key explanatory factor behind the weaker-than-expected US data in recent months, as some claim, we expect the FED to continue its tapering of the monetary stimulus, now at USD 55 billion a month. ■■

Global seaborne trade is dependent on global growth, thus it is vital if general shipping demand is to go forward that a smooth transition from a sustained recovery to normalized demand become successful. The article was finalised on 4 April 2014. Read about the impact on shipping on the following pages...

Dry Bulk Shipping

Capesizes stole the headlines; the bulk market is improving across the board

Demand

While freight rates for Capesize ships have fended off the talk of a slowdown in China in an impressive fashion, rates finally took a minor hit on the final trading days of March. As the strong sentiment eased, it caused a derivatives sell-off in its wake.

When comparing the performance of freight rates in the first quarter of 2014 to previous years, it becomes clear that the market is rising. In the first quarter, average freight rates are significantly up from the multi-year low Q1 rates in 2013. Capesize rates went up by as much as 167% at USD 16,198 per day, whereas the other three dry bulk sub-segments all improved by 50% on last year's first quarter TCE average earnings.

Despite the year-on-year improvements, the complete lack of volatility outside the Capesize segment means that spot operators' trading possibilities have been scarce. Time charter rates are steadily moving up, while spot rates are moving sideways. In the anticipation of an improving freight market going forward, owners and operator have increased their spot market exposure to take advantage of this.

Following the weakness around the Chinese New Year, Capesize spot rates bounced back surprisingly strongly from the USD 8,000 per day level in early February to deliver a March average at USD 22,000 per day. That performance also lifted the period market to highs not seen since 2010. Rates for 6-12 months' time charters hit USD 30,000 per day during the second half of March.

The South American grain season is at its height in April, May and June, with Brazil confirming its position as the world's leading exporter of soybeans, with 45 million tons of exports. On the imports side, China is on the move in a big way, expecting to import 68.5 million, up by 15% on last season. China accounts for 80% of the incremental volume growth expected for the coming season, providing a lot of tons-mile into the market.

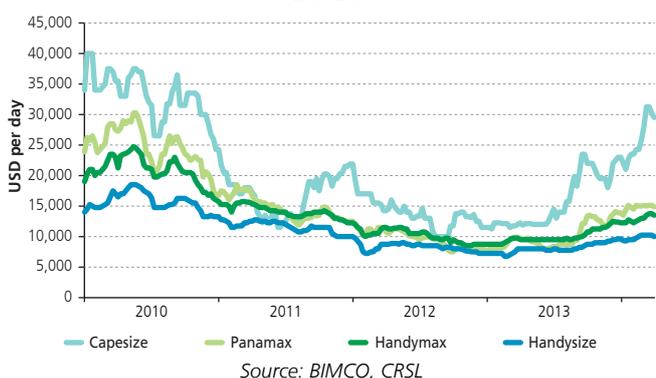
Supply

The fleet development in the dry bulk segments has been fully along the forecast lines, both for inflow of new ships as well as demolition. Despite the fact that we are seeing a five-year low level on new built deliveries, delays of delivery when measured against the "scheduled orderbook" remain high at 30%.

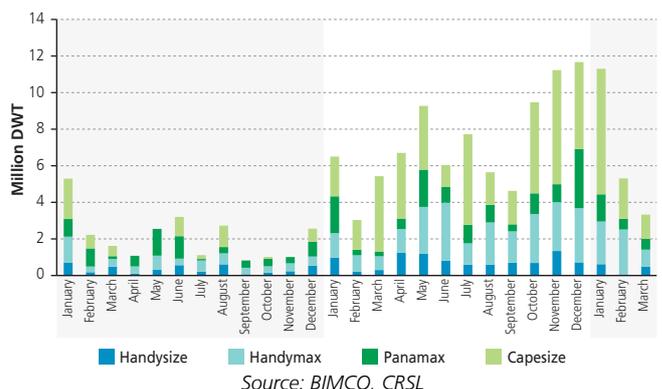
Ordering activity went up by 258% in 2013 as compared to the year before. During the fourth quarter of 2013, more tonnage (31.7 million DWT) was ordered than in the full year of 2012 (24 million DWT). The stronger demand for new contracts also meant the newbuilding prices from all Far Eastern shipyards have gone up by 12-23% since the beginning of 2013. The larger the ship, the higher the increase has been.

Recent resale deals indicate that prices continue to rise on the back of strengthened optimism. At the end of March, four South Korean to-be-built Capesize ships for delivery in 2015/16 had a price tag of USD 60.5 million. This is the same price tag for Japanese built

1 Year Time Charter Rates
2010-2014



Ordering Activity
2012-2014





QUICK FACTS

4 April

Total fleet size (change since 1 January)

DWT million: 732.75 (+1.4%)

Rate indices (change since 7 February)

BDI: 1205 (+10%)

BCI: 2306 (+45%) • BPI: 822 (-37%)

BSI: 1003 (+8%) • BHSI: 598 (-11%)

Latest update on Baltic Indices available at www.bimco.org

ships of that size, whereas the Chinese newbuilding is set at USD 53.2 million.

Regardless of much optimism in the overall sector, sales indicate short-term pessimism in the Panamax sector. Ships with a capacity of 80,000 DWT, built in China and delivered in 2014, come with a price tag of USD 23-24 million. The newbuilding price for same ship size and build for delivery in 2016 is USD 30 million. The still-hectic delivery pace, at 3.5 Panamax ships a week, is part of the explanation for the discount on soon-to-be-delivered Panamax tonnage.

Following some frantic delivery years, the pulse of shipyard output is significantly down from the one-Capesize-ship-a-day of the peak years (2010-2012) to more normal levels, going forward at 2.5 ships per week in any given dry bulk sub-segment.

Outlook

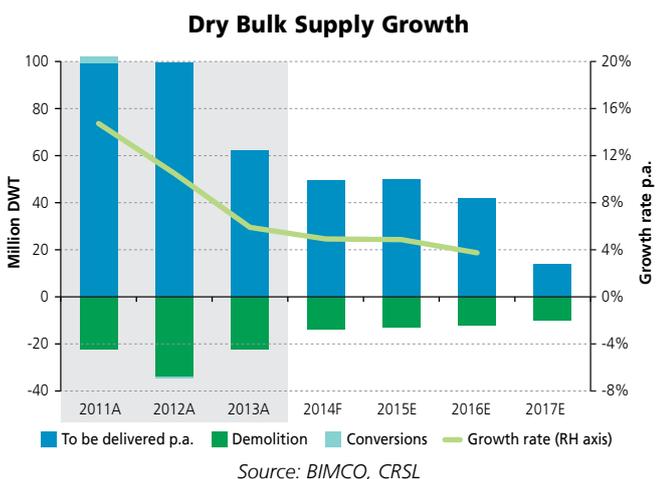
2014 will be a year with full focus on the big mining companies, who are ramping up the production of iron ore by as much as 170 mill tons in 2014. This flooding of the market has already brought ore prices down from USD 130-140 during H2-2013.

The iron ore price dropped to USD 105 per tonne by mid-March. Such a low level was not expected prior to 2015. At the end of March, prices had rebounded to USD 112 per tonne. The under-shooting of the price is linked to the continued weakening of the Chinese manufacturing sector, a slower growth in steel production and the still-softer GDP growth seen in China. Going forward, the higher focus on bringing down the environmental cost of development in China should increase demand for high quality seaborne imports from Australia and Brazil. This will diminish domestic production of lower quality ore that requires more energy to process. This development is in line with previous BIMCO market assessments forecasting lower commodity prices that will create demand, which will primarily favour the bigger ship sizes.

Exports of thermal coal from Columbia are likely to increase by 3 million tons a month going forward, following the eventual lifting of the ban in Columbia that has been holding back shipments from major export ports. Effective from 1 January 2014 in an initiative to reduce pollution, regulators only allow exporters to load ships using enclosed conveyor belts – as opposed to the previous use of cranes and barges.

Iron ore and thermal coal are the key drivers in the coming months. Soybean exports out of Brazil will play a supporting role as demand is building up.

To sum up, our forecast for April/May: BIMCO believes that the level of Capesize TC average rates will hover around USD 12,000-22,000 per day. Panamax TC average rates will still feel the supply pressure in the region of USD 5,000-10,000 per day. For the Supramax segment, BIMCO forecasts freight rates in the USD 10,000-14,000 per day interval supported by more Atlantic cargoes, whereas Handysize rates seen in the solid region of USD 8,000-10,000 per day. ■■



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2014-2017 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 30% of the remaining vessels on order are delayed/postponed.

More shipping market analysis on www.bimco.org

Tanker Shipping

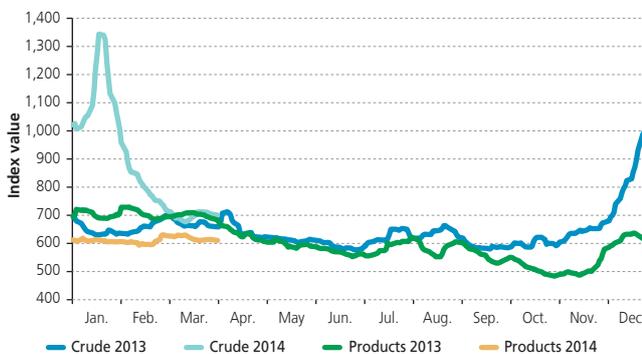
The crude oil tankers' joyride has ended for now – second quarter expected to be less eventful

Demand

The spike in VLCC earnings that began at the end of 2013 continued into 2014, hitting the highest levels since 2010. Suezmaxes and Aframaxes enjoyed the ride too. The Winter strength in the crude oil market is a result of a rise in oil demand from the fast growing economies of Asia. The ride has been a very turbulent one and the fluctuations have meant earnings dropping from record highs to lows, only to climb to the same levels again shortly afterwards. This is common for VLCC rates, especially around the Chinese New Year. VLCC rates now appear more stable, albeit steadily declining since mid-February.

The first quarter was disappointing for product tankers, with a flat rate environment. Despite holding on to the gains achieved in Q4, all product tanker segments from Handysize to LR2 have had to settle for USD 10,000-17,000 per day right now. This is slightly higher than expected and comes down to the steadily improving market.

Baltic Tanker Index
2013-2014



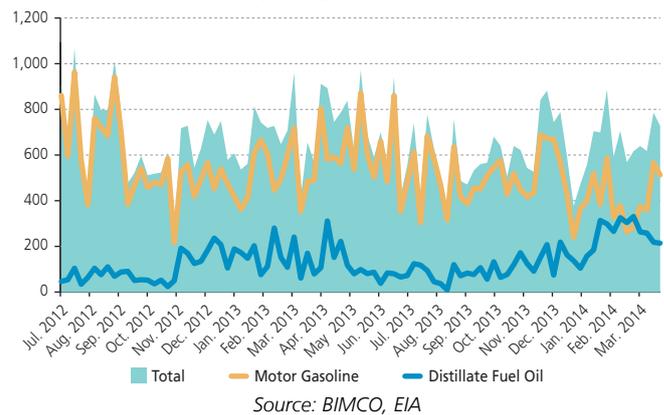
Source: BIMCO, Baltic Exchange, CRSI

The Winter months in the US were extremely cold this year; colder not only than last year's Winter but also than the previous 10-year average. The cold snap affected the US oil market, mostly domestically, sadly with little effect on the international product tanker market. In the North East where 27% of households use heating oil, the Winter was 11% colder this year. As demand for propane soared the most, the heating oil market did not become tight. As US distillate stocks (including heating oil) have been leaner in the past year, a huge drive which would boost seaborne import to restock does not seem to be on the cards.

Overall, US oil consumption increased by 2.1%, or 380,000 barrels per day (bbl/d) in 2013, to reach 18.9 million bbl/d. Consumption was driven forward by hydrocarbon gas liquids (which includes ethane, propane, butane and natural gasoline) where consumption grew by 6.2%.

Particularly relevant for the product tanker market was that motor gasoline consumption experienced the largest increase since 2004, when highway travel surprised on the upside during H2-2013. Consumption grew by 1.1% to reach 8.8 million bbl/d. Unfortunately that did nothing good for the product tanker market, as gasoline imports in Q4-2013 and Q1-2014 were at a record low.

Oil Product Imports to the US East Coast
(PADD 1), 2012-2014



Source: BIMCO, EIA

Supply

While BIMCO is forecasting a four-year high for delivery of newbuilt product tanker tonnage, very few ships are being sent to the breakers to counter the influx. There have been just seven ships in total, with six of them being below 40,000 DWT and two of those also being single-skins. Owners are displaying a rock-steady belief in a strong product tanker market just around the corner.

Looking at crude oil tanker capacity, the fleet has only increased by 0.2% since 1 January, despite delivery of six new VLCCs, as demolition took its toll too. Only two Suezmaxes and zero Aframaxes entered the fleet, signalling the effect that the extremely poor freight markets of recent years have had on the appetite for placing new orders. For the remainder of 2014, 25 VLCCs, 19 Suezmaxes and 14 Aframaxes are scheduled for delivery. BIMCO expects an average of one year postponement/delay of 25% of the scheduled order-book especially to ease the VLCC pressure somewhat.

Last year, Aframaxes saw a twelve-year low delivery level at just 18 new ships. This caused the fleet size to shrink for only the second time since 1985.

QUICK FACTS

4 April

Fleet sizes (change since 1 January)

Crude (DWT million): 374.11 (+0.2%)

Product (DWT million): 128.99 (+0.6%)

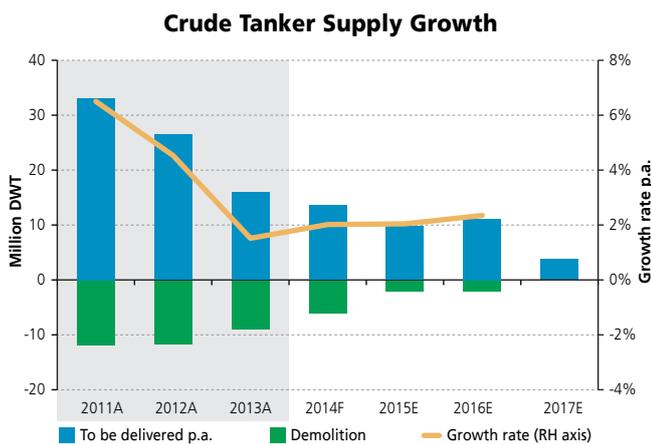
Rate indices (change since 7 February)

BDTI: 696 (-18%) • BCTI: 597 (-1%)

Latest update on Baltic Indices available at www.bimco.org

Whichever way you look at it, 2014 will be the year of the MRs. Last year, 74 new MRs were delivered – year-to-date deliveries have already reached 19 by mid-March. In the size range of 40,000-60,000 DWT, 270 product tankers are on order, of which 93 are scheduled for delivery in 2014. BIMCO expects actual deliveries to fall short of scheduled ones.

As regards the entire product tanker order-book, it has actually dropped down to 406 units at end-March, from 420 units two months ago.



Source: BIMCO, CRSL

A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2014-2017 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 25% of the remaining vessels on order are delayed/postponed.

In January and February, new orders for 12 VLCC have been signed, all for 2016 delivery. Last year, 49 were ordered of which 29 were placed in December. The tide is definitively turning for VLCCs since the ordering drought in 2011/2012. Another example of more confidence being around is the re-sale of seven VLCCs orders, placed in South Korea in December 2013, all due for delivery in 2016 and booked at a price tag of USD 93 million. The resale price of USD 100 million confirms both the increased optimism in VLCC tanker market as well as owners opposite expectation for the future.

Outlook

Global oil demand is seasonal, with Q1 being the weakest season – again, leaving only upside for the remainder of the year. During the first years of

the recent crisis (2010/2011), Q2 was the weakest quarter, while Western demand heavily depressed making the Eastern seasonality dictate global oil demand.

In Q2, lower oil demand, primarily from Japan, is the main driver behind this. Lower jet/kerosene and “other gasoil” demand is set to be felt, as oil product demand enters a couple of weak quarters in Japan. Refinery throughput in Japan is also low in Q2. Fortunately, Chinese and Indian demand for crude oil from West Africa is on the rise, as the price of Nigerian and Angolan crude is favourable to Middle East crude oil (Dubai benchmark). This provides more ton-miles primarily to the VLCC segment.

The tension around the Russian annexation of Crimea has not affected the oil market so far, as Ukraine is not a transit country for Russian-origin oil sold to the West.

According to EIA, OECD Europe received as much as 36% of its net crude imports from Russia, which in turn relied on Europe for 71% of its crude exports in 2013. Should trading with Russia be affected, oil product imports into Europe is the likely solution, with Russian crude export going East instead.

As the energy intensity of global economic growth is slowing down, changes in economic activity will translate differently into oil demand growth than during the past decades. However, a significant economic step forward (+3.7%) as we expect for 2014 is currently estimated to result in a 1.5% higher demand for oil (IEA forecast).

For April/May, BIMCO expects earnings for the all the crude oil tanker segment to stay above USD 10,000 per day. VLCC may go as high as USD 25,000 per day, while Suezmax crude oil carriers could be reaching USD 22,000 per day with the Aframax crude segment expected to peak around USD 20,000 per day.

In the product tanker segment, BIMCO expects earnings on benchmark routes from AG to Japan; for LR1s to hover around USD 10,000-15,000 per day, with LR2s inching a bit higher at USD 12,000-17,000 per day. Handysize rates are set to outperform MRs at a level of USD 12,000-18,000 per day with MR average rates expected to remain in the interval of USD 8,000-13,000 per day. ■■

More shipping market analysis on www.bimco.org

Container Shipping

A mixed market that holds a bit of everything is what meets the eye

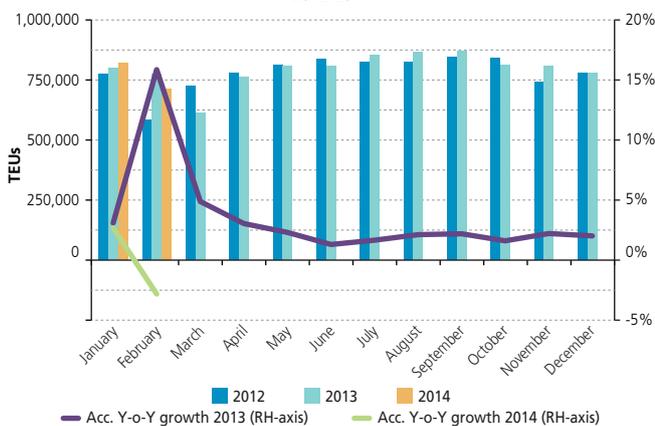
Demand

Consumer spending in the US rose to a three-month high in February, pointing towards improved trading conditions on the trans-Pacific trade lane today and going forward. At the same time (end-March) freight rates went up on the Far East to Europe trade lane, indicating that demand from a slow-growing Europe is also about to pick up and bring support to higher freight rates going forward.

After growing by 3.9% for the full year of 2013, imports of containerised goods from Asia to Europe grew by 8.3% y-o-y in January. If the macroeconomic environment plays out as we currently expect it to do, global container shipping demand should increase by 5-6% in 2014.

On the other vital trade, the head haul trans-Pacific one from Asia to US West Coast, volumes fell by a two-month accumulated 2.8% in January-February following a full year growth of 2.0% in 2013 as a whole, according to BIMCO data. March is likely to hand us a more “correct” idea of the development, when the Chinese New Year seasonality has been taken care of.

US West Coast, Inbound Loaded Containers
2012-2014



Source: Ports of: Los Angeles, Long Beach, Oakland, Portland, Seattle and Tacoma

While the demand side is doing fairly well, the supply side of the market is where the trouble lies. A quick look at the charter market reveals that, according to Harper Petersen & Co., ships with a capacity between 1,100 TEU and 3,500 TEU have been going through very tough times since early 2012. Charter rates of around USD 5,000-9,000 per day cover little more than OPEX and leave little, if anything, for interest and capital repayment, if the vessel is chartered out at all. The oversupply naturally results in very short-term time charters. This is simply because no owner wants to make a long-term charter at current very low rates.

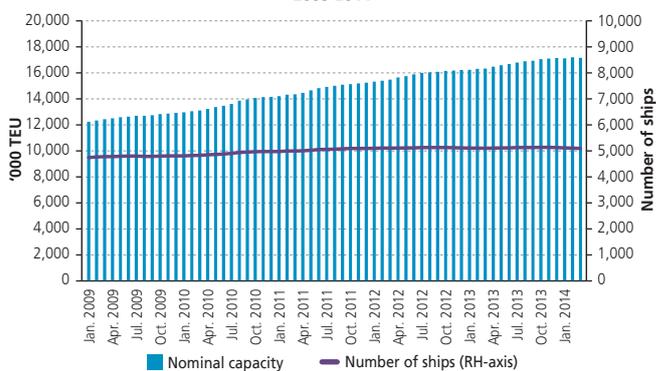
Supply

The container shipping industry is applying the tools that are available in the toolbox on an individual basis to manage capacity. In addition to the constant

optimisation of networks to make room for more efficient ships to enter the trades (cascading), a new record in demolition was set at the end of February. Seven sisters built in 1996-98, each with a capacity of 5,300 TEU, are the biggest containerships ever sold for recycling. The sale, to breakers in India and Pakistan, returning a healthy USD 470 per LDT to the owner, equal to USD 12.2 million per ship.

As much as 160,456 TEU has already been demolished year-to-date. A “witness to the truth” that tells the story of a continuously extremely difficult freight and charter market. The total of demolished capacity since 1 January 2012 will exceed one million TEU during April 2014.

Container Fleet Development
2009-2014



Source: BIMCO, CRSL

The active fleet fell in numbers but gained in capacity due to larger vessels replacing smaller ones. Since 2009, nominal capacity has grown by 40%, while the number of ships has grown by only 7%.

The overhaul of the Far East to Europe trading lane continues in 2014, with the introduction of all newly-built deliveries with a capacity of 10,000 TEU or more. The average ship size on this main trading lane is already above 10,000 TEU. Twelve ships have been launched already, with 47 more scheduled for delivery. In 2013, 34 Ultra Large Containerships were delivered down from 51 in 2012.

Year-to-date, 38 ships with a capacity of 333,239 TEU have been delivered, 26 of these with a capacity over 8,450 TEU and a total delivered average of 8,770 TEU per ship.

The contracting of containerships seems to come in waves, where one year has been high and the next very low since the outbreak of the crisis. 2013 saw new contracts for 1.95 million TEU, hinting at 2014 being a modest year for contracting. However, activity in Q1-2014 does not really confirm this pattern, with ordering



QUICK FACTS

4 April

Total fleet size (change since 1 January)

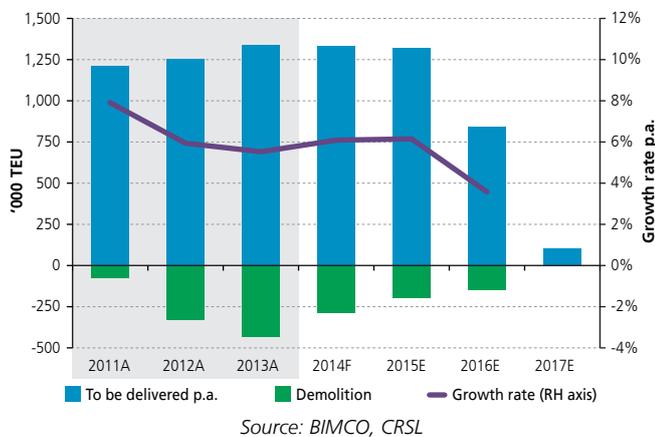
TEU million: 17,292.11 (+1.0%)

Rate Index (change since 7 February)

CCFI: 1069.66 (-8%) • SCFI: 1064.87 (-9%)

being on a par with Q1-2013. All new orders are for 2015 and 2016 delivery, as yards are still trying to fill the earlier slots and avoid signing for 2017 delivery.

Container Supply Growth



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2014-2017 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 10% of the remaining vessels on order are delayed/postponed.

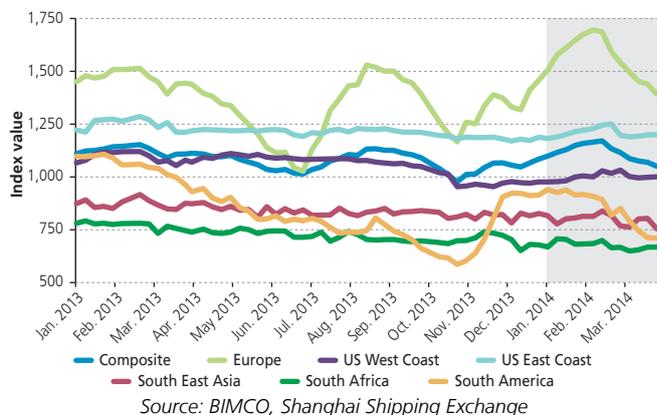
Outlook

For the time being, the number of strings from Far East to Europe/Mediterranean differs from quarter to quarter, as some strings are closed and new ones set up. According to Alphaliner, the number of strings in September was 22+16=38. This indicates the future use of 380 ships on these trades when the “new normal” lifts the service speed just a bit from current lows, requiring 10 ship on each loop. As per today, 208 ULCSs are sailing, with 141 being on order – out of which 12 have been ordered this year. Owners today opt to order a full string of ships, indicating that the era of ordering one or two ships at a time is over – at least for the participants wanting to play in the biggest arena.

Will orderings of ULCS stop once the “overhaul” is completed? That is highly unlikely for two reasons: 1) operators are already doing “trials” on Suez transits to the US East Coast – and the US ports are busy getting ready for this; and 2) the Panama Canal will be able to cater for ships with a beam of 49 metres from 2015/16, equal to approx. 13,500 TEU. So going forward, the rush to size up will continue.

Regardless of the harsh business conditions in the shipping market, 2014 seems to be stronger in terms of freight rates on key trade lanes. Broad scoped data from the Shanghai Shipping Exchange that takes into consideration not only spot rates but also long-term contractual rates from ten major ports in China (CCFI), reveals that the headline index was more or less flat (-1%), but the individual performances were more volatile. Indexed rates for boxes for Japan (+8%), Europe (+6%), Korea (+6%) and the Mediterranean (+16%) all went up in the first quarter as compared to the same period last year. On the other hand, rates fell for destinations such as Hong Kong (-17%), South East Asia (-9%), Australia/New Zealand (-12%), Persian Gulf/Red Sea (-12%) South Africa (-12) and South America (-19%).

China Containerized Freight Index 2013-2014



For US-bound cargoes, the freight rates development seems more stable than elsewhere, yet the stability results in falling rates in Q1-2014 y-o-y, with US West Coast down by 9% and US East Coast down by 3%.

A poor start of the year in terms of slow demand growth into the US affected this. Whether the weakness is only temporarily remains to be seen, but a couple of central questions remain. Is it because the upturn in the US economy is domestically focused or has the low energy prices in the US really delivered low cost goods that can compete with Far Eastern import? The coming months may shed more light on this, as 2014 develops. ■■

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The outlook for the multi-purpose and heavy-lift fleet

At this time last year, we at Drewry were relatively optimistic for the breakbulk and heavy-lift sector, largely because rates were unsustainable for carriers.

This optimism proved misplaced, or at least premature, as demand growth slackened and market share dwindled in the face of very determined competition. Nonetheless, Drewry remains optimistic for this sector's ability to compete for global breakbulk volumes.

Demand outlook

As of January 2014, the latest IMF predic-

tion for global GDP growth during 2013 was 3.0% with improvements expected in both 2014 and 2015. The estimate growth of trade in goods is shown at 2.7% in 2013, which is the same as it was in the previous year (see Figure 1).

Over the past ten years, dry cargo volumes have grown at an average annual rate of 5.4%. Bulk cargoes have grown at 5.3%, but

container cargo has grown at 7.0%. The market share of the multi-purpose fleet is based on our assessment of the demand for cargoes from competing fleet sectors along with the expectation for general cargo trade as a whole.

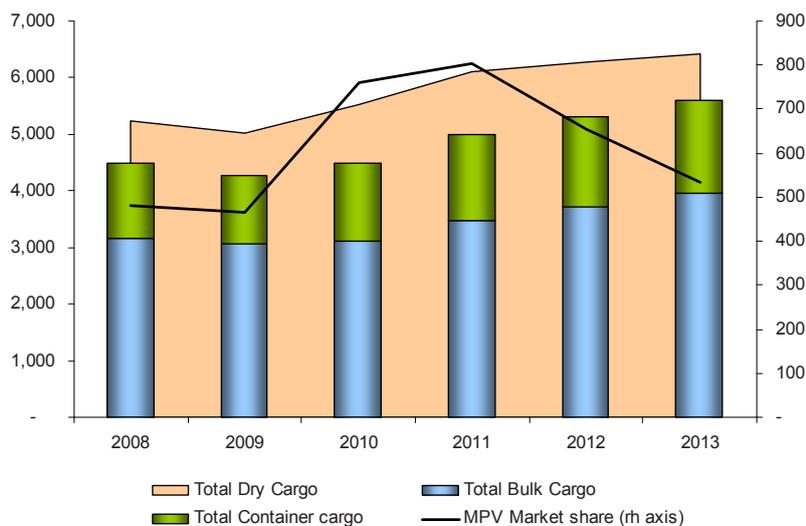
While cargo volumes have risen steadily from the crash of 2009, the multi-purpose share of those volumes has been eroded. Drewry estimates that 2013 was in fact a worse year for owners than 2009, with market share dropping to just 8% of dry cargo, although tonnage was actually higher.

The biggest growth in volumes in 2013 came, not surprisingly, from minor bulks. This was primarily steel and forest products. Global steel production in 2013 exceeded 1.6 billion tonnes, reporting growth of almost 5% from 2012.

While some major exporters (South Korea, EU, USA) reported decreased exports over 2013, China and Taiwan, Province of China, continued to show strong growth (18% and 9% respectively). Meanwhile, general cargo volumes, which include project cargoes, dropped by over 30%. We believe this was a double hit of increased competition and a slowdown in the project market. Drewry estimates that project cargo volumes fell by almost 15% over the year (see Figure 2).

However, the outlook is stronger. Global

Figure 1: Development of dry cargo demand (million tonnes)



Source: Drewry Maritime Research

steel production is expected to continue to rise at an average rate of around 5% over the next two years. The outlook for project cargo is more mixed. While the expectation for 2014 remains subdued, there are signs that this sector should begin to pick up further volumes towards the end of the year and grow in 2015 and 2016.

Fleet outlook

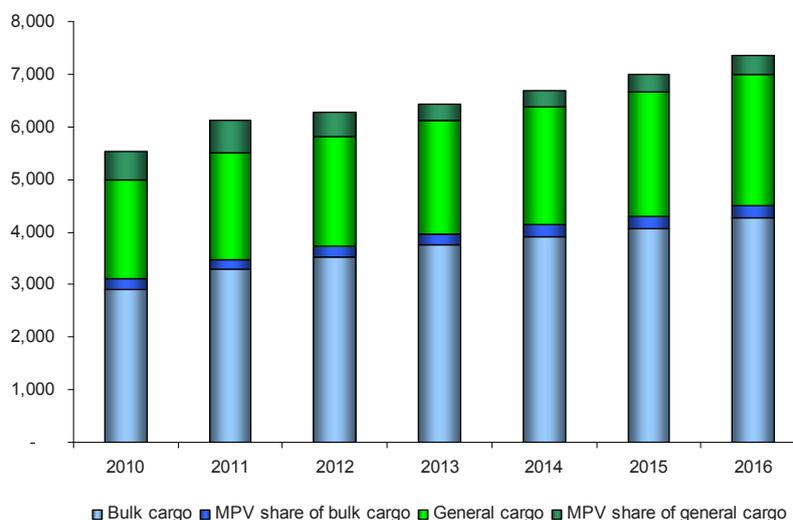
As of 1 January 2014, the multi-purpose fleet (as defined by Drewry) numbered 3,293 vessels totalling 29.6 million DWT. Since 2009, the fleet has grown at an average annual rate of 1.3% a year as the inflated order-book has slowly delivered against a backdrop of steady demolitions and little additional new ordering.

Over 2013, the multi-purpose fleet (including project carriers) grew by just 1.7%; a further slowing down in growth from the 2.3% witnessed in 2012. Less than 1.5 million DWT of new tonnage entered the fleet – the least since 2008 – while slightly over 1.1 million DWT of older tonnage was demolished. Meanwhile, the container capacity of the fleet continued to rise, from 1.44 million to 1.51 million TEU.

The strongest growth has been seen by the larger vessels of over 20,000 DWT with over 7% growth in DWT terms. Not far behind this was the 5-10,000 DWT sector with grew by almost 6% in DWT terms. The decline continued for the 15-20,000 DWT segment.

The multi-purpose fleet is towards the older end of the maritime spectrum, with an average age of 15 years, compared with, for instance, an average age of 9.2 years for bulk carriers. As the number of newbuildings

Figure 2: Development of MPV market share (million tonnes)



Source: Drewry Maritime Research

has waned, the average age has risen. The average age of project and premium project carriers at the end of 2013 was 8.7 years and 7.4 years respectively (see Figure 3).

Looking first at the slippage rates over the last year, Drewry calculates that around 35% of the MPV newbuilding orders that were due to be delivered in 2013 have slipped into 2014. This is a drop from 2012 when the figure was nearer 50%.

However, the lack of new orders means that slippage will be less of an issue in future. Demolition activity decreased marginally in 2013 in deadweight terms. This seems to be principally because the older vessels in this fleet are mostly also the smallest.

If we take all our assumptions for slippage, newbuilding and demolitions, we forecast a fleet decrease of less than 0.5% a year to 2016. However, if we split the fleet into simple multi-purpose carriers versus project carriers, the former shows a decline in fleet numbers, with little investment beyond replacement tonnage. But the project carrier fleet, which is after all the smaller and

younger of the two, shows growth of around 4% a year up to 2016. This is because the fleet is too young to see significant demolition numbers but also because owners are replacing their “simple” ships with high-specification vessels that can add value to any contract.

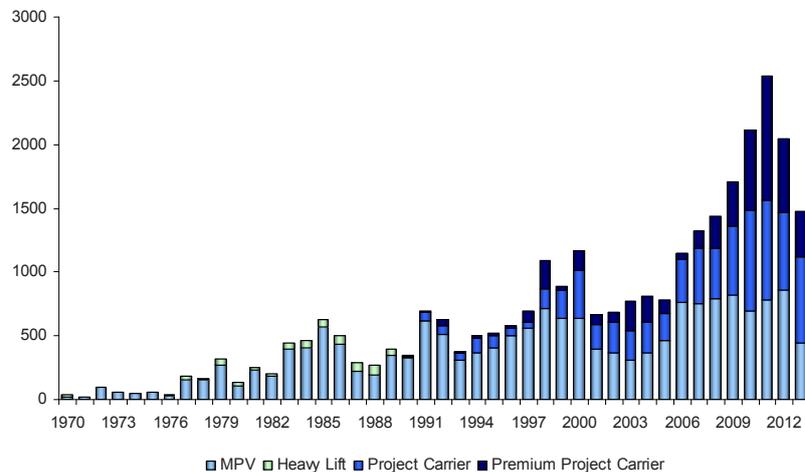
Market outlook

Much of the improvement that we can see, especially on the demand side, relies on container and bulk rates improving and those vessels returning to their more conventional volumes.

There is a strong connection and influence between the pure container sector and rates for much of the multi-purpose fleet. In the sub-10,000 DWT ranges, non-cellular vessels provide most container-carrying capacity, so the relationship in these cases is particularly strong.

It appears that whatever efforts the carriers may be making on the supply side, the container operators seem unable to improve their situation and push rates higher. However, while the headline numbers for

Figure 3: MPV Fleet age profile by vessel type as at 1 January 2014 ('000 DWT)



Source: Drewry Maritime Research

supply and demand growth in the next few years should be of concern to carriers, by no means do the numbers look catastrophic.

We also believe that there is a close correlation between t/c rates for multi-purposes and the Handy bulk market, reflecting the fact that the vast majority of multi-purpose ships are at least partially dependent on the neo-bulk trades for some of their employment. However, dry bulk market movements are always considerably more extreme than the movements in multi-purpose markets – both at the top and bottom of the cycle.

In the medium term, the growth in the Handy bulk carrier fleet is expected to slow considerably, while demand slowly picks up. This will, in time, lead to a widening of the supply-demand balance, which has been very tight in this sector. This is clearly a very positive indicator for the multi-purpose fleet, because if the Handy sector is under-supplied it will be less able to encroach on the multi-purpose market. This sector is also heavily influenced by rates for the larger bulk carriers, which are expected to pick up significantly after 2014.

Although the long-term correlation between Handies and multi-purposes has been skewed recently, owners of vessels operating in the breakbulk (rather than project cargo) sector look to this fleet as their main competitor. The market optimism from here will undoubtedly have an effect on multi-purpose rates.

Demand is expected to continue to grow over the forecast period and 2015 has the potential to deliver significantly increased volumes. At the same time, the supply-demand balance is expected to narrow as the order-book shrinks further and demolition remains at replacement levels.

We continue to be concerned about the competition from the container lines, particularly for the project carriers; any delay in the recovery of that sector will also delay recovery in this one. Meanwhile, the multi-purpose order-book is very manageable and as long as newbuildings have a unique quality – whether that is eco-friendly engines or extraordinary lift capacity – there is still space to accommodate them.

We said last year that current market conditions were unsustainable, but carriers

seem to have borne them even longer. With the new vessels that are now trading, capital costs are a significant part of most ship-owners' bottom lines, so poor rates can only be borne for so long. It is still our belief that those owners that can promote their vessels as the value-added alternative to containers are the ones that will see positive results again sooner rather than later. ■■

Editor's Note: The above article is taken from the latest Drewry Multi-purpose Shipping Market Review and Forecast.

A year's subscription is priced at GBP 2,295, which includes the annual market review and forecast report, published 19 March 2014, supplemented by three quarterly updates. Subscribers will also have a series of webinars and presentations from Susan Oatway, the editor of the report, throughout the year.

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Ongoing Chinese shipping issues

China's growth targets good for shipping

China's 7.5% GDP growth target for 2014 is very positive for the shipping market

Although seemingly very ambitious, the world's second largest economy is aiming for a 7.5% economic growth target for this year. Speaking at the annual session of the National People's Congress (NPC) on 5 March, Premier Minister Mr. Li Keqiang stated that the Chinese Government will focus on stimulating domestic demand as well as cutting red tape.

It has been noted that keeping the target unchanged from 2013 not only sends a strong signal about stabilising the Chinese economy, but also mirrors the Chinese policy-makers' confidence in maintaining growth momentum.

To achieve that goal, China needs a robust growth in consumer spending, moderately strong external demand, and proactive fiscal policy. All this is taking place against headwinds from the real estate sector, where a bubble is developing. At present, the Chinese government has listed 9 tasks as a priority for 2014, namely:

- To achieve breakthroughs in key reform areas;
- To increase economic openness and innovation;
- To grow domestic demand;
- To modernise agriculture and reform rural development;
- To promote people-centric urbanization;
- To optimise economic restructuring and technological innovation;
- To strengthen education, health and cultural systems;

- To improve the social safety net;
- To improve ecological conditions.

The report's quantitative targets – on GDP growth and related economic aggregates – are in line with expectations and consistent with China's current growth potential with headwinds from reform being the newest near-term downside risk.

Industries plagued by overcapacity can expect increasing pressures to consolidate, particularly those on the lower end of the efficiency spectrum. Volatility could rise as reform piles pressure on both the financial system and State Owned Enterprises (SOEs), which constitute a significant share of investment and employment.

A gradualist approach remains the speed of choice, although leaders have targeted some reform goals to advance more quickly than expected, including SOE reform, real estate taxes, and interest rate reform. If those targets are fulfilled it bodes well for the reform process and medium- and long-term outlook, although may make for a rockier 2015, when the impact and adjustment costs of the policies would be fully "wired in" to the economy.

Notwithstanding the above, China's development is definitely good news for the shipping segment. Chinese seaborne imports surpassed 2 billion tonnes in 2013, according to CRSI's paper. To put that into perspective, it means that China has now more than doubled its imports from 1 billion tonnes in 2008 to 2.1 billion tonnes, in just five years. Imports of dry bulk commodities dominate the trade, accounting for 74% in 2013. Led by iron ore, which accounts for

39%, the scope of imports become larger and wider every day. As the Chief Shipping Analyst at BIMCO, Peter Sand, says: "The importance of China to the shipping market is second to none. This goes for all major shipping segments. In spite of leaving the double-digit growth rates behind us in the previous decade, the sheer size of the world's second-largest economy now gives so much impetus to our industry that we have become addicted to China." Needless to say, a stable and improved Chinese economy, even at a modest slower GDP growth level, is thus vital to a sound shipping market going forward.

New maritime bureau in Hong Kong

The Hong Kong Government has been criticised as inefficient in promoting the maritime industry, particularly when compared with Singapore. Most ship owners have left Hong Kong for Singapore simply because of the lower taxes and ease of operation.

But now a change is underway. The Hong Kong Government intends to establish an inter-departmental body to provide a one-stop shop for the maritime sector, which has steadily lost ground to Singapore as a maritime cluster over the past few years. The new maritime bureau lists promoting shipping service as their priority, and this includes ship management, brokerage, shipping finance and insurance services. The ultimate goal is to be on a par with London as an international shipping service hub.

Hong Kong's shipping statistics for the fourth quarter of 2013

Cargo: In the fourth quarter of 2013, total port cargo throughput increased by 13% compared with a year earlier to 75.0 million



tonnes. Within this total, inward and outward port cargo increased by 18% and 6% to 44.5 million tonnes and 30.5 million tonnes respectively.

For 2013 as a whole, total port cargo throughput increased by 3% compared with a year earlier to 276.1 million tonnes. Within this total, inward port cargo increased by 5% to 162.3 million tonnes, while outward port cargo decreased by 1% to 113.8 million tonnes.

Within port cargo, seaborne cargo increased by 4% compared with a year earlier to 47.7 million tonnes, while river cargo increased by 33% to 27.3 million tonnes in the fourth quarter of 2013.

Vessel arrivals: Comparing the fourth quarter of 2013 with the fourth quarter of 2012, the number of ocean vessel arrivals decreased by 1% to 7,700, with the total capacity increasing by 2% to 106.0 million net registered tons.

The number of river vessel arrivals increased by 3% to 41,100, with the total capacity increasing by 7% to 29.2 million net registered tons.

Comparing 2013 with 2012, the number of ocean vessel arrivals decreased by 3% to 29,920, with the total capacity increasing by 1% to 414.5 million net registered tons.

The number of river vessel arrivals decreased by 2% to 157,630, with the total capacity increasing by 3% to 109.7 million net registered tons.

China's stance on Valemaxes wavers

The Ministry Of Transport of China has

recently released a revised port regulation which is aimed at clarifying berthing rules for larger vessels. According to this ruling, all dry bulk carriers over and above 250,000 DWT capacity are banned from carrying a full load if they intend to call at Chinese ports.

It was said that this ruling would only have a very marginal effect on the current market, as most vessels are below 250,000 DWT in size. In reality, this particular ruling is widely seen as a measure against Valemaxes, which are built to carry iron ore between Brazil and China, with roughly 400,000 DWT capacity. Under this ruling, a fully-loaded 400,000 DWT VLOCs will be denied entry into any Chinese ports.

The China Shipowners' Association (CSA) has constantly claimed that Vale intends to monopolise the iron ore transport trade and influence freight rates. However, Chinese port groups, together with traders, may hold other views on this issue. Vale has managed to call at Dalian and Lianyungang. In short, the full effect of this ruling still remains to be seen. Meanwhile, Vale has begun the first phase of its iron ore storage and distribution centre in Malaysia, which is expected to receive Valemaxes vessel shortly.

CKYHE Alliance in place

COSCON, K-Line, Yang Ming, Hanjin Shipping and Evergreen Line have, in principle, agreed to establish a new alliance entitled the CKYHE Alliance with a view to adapting themselves to the fierce competition of the shipping market. The alliance, which is subject to a regulatory review, covers the trades between Asia and Europe and

is expected to take off this March. According to Alphaliner's analysis, the P3 Network (Maersk Line, Mediterranean Shipping Co. and CMA) accounts for 45% of the global container market, while the CKYHE Alliance represents 16.8% in terms of operating capacity as per 1 January 2014.

China fortifies freight rate filing for liners

China's Ministry of Transport (MoT) has issued a new decree designed to regulate its international container liner service market. MoT has appointed the Shanghai Shipping Exchange (SSE) to accept freight and tariff filing from all carriers with a view to ensure a level playing field. The decree also tightens up the verification procedures for NVOCC's who are usually business partners for liners.

All this suggests that China is about to flex its muscles on liner freight rate filing, the control of which seems to have lost its teeth over the past few years (back to 2009). As a consequence, all carriers must be meticulous in ensuring that all their service contracts, as well as negotiated rates, are duly filed as per the decree. It is worth noting that the filing obligation rests with the liner carriers or their agents, or NVOCCs who act as a carrier, rather than the freight forwarders. (ZW) ■■

Editor's Note: This report has been produced in co-operation with IHS Analysis and Seatrade.



BIMCO

With progress on piracy, challenges persist elsewhere

As in other parts of the world, in Asia we experienced a good news/bad news start to the year, with progress reported in regard to piracy and armed robbery against ships yet additional collisions between vessels in the Singapore Strait.

These developments shared the stage with the continued challenges created by upcoming regulations affecting marine fuels and ship emissions and securing places of refuge for stricken vessels.

Piracy

Asian Shipowners' Forum (ASF) Safe Navigation & Environment Committee (SNEC) noted the global decline in incidents of piracy and armed robbery, with 264 incidents reported in 2013 as against 297 incidents in 2012. The drop in attacks was due largely to a decrease in the overall attacks carried out by Somali pirates in the Gulf of Aden and in the Indian Ocean.

Regarding the waters off West Africa and in the Gulf of Guinea, however, the SNEC expressed grave concerns that the number of pirate attacks is on the rise. In Asia, most of the attacks occurred whilst ships were either anchored or at berth, so the SNEC urged Port States to take prompt and effective measures to eradicate incidents of armed robbery and petty theft in their waters. They also strongly urged the shipping community not to be complacent, and to adopt the best management practices in dealing with piracy, especially when their ships are plying through pirate-infested waters.

Safety of navigation

Since the last report, there have been three further collisions in the Singapore Straits. On 29 January, a container ship and a chemical tanker collided. The next day, a container ship and a barge collided. 10 February saw another collision between a con-

tainer ship and a chemical tanker. In all three incidents bunker fuel was spilled, but no injuries were reported.

Following these collisions the Maritime and Port Authority of Singapore (MPA) is investigating to determine the causes of the collisions and if there were systemic issues that need to be addressed. In the meantime, the MPA has implemented several measures to minimise future marine incidents. Amongst these, briefings have been initiated with the shipping community to reinforce the importance of the safety of navigation in the Singapore Strait and within Singapore port waters. These briefings, conducted in partnership with the Singapore Shipping Association, are targeted at ship owners, ship managers, ship charterers and shipping agents, who have direct channels to convey the safety messages to the ship Masters and officers. The MPA has also promulgated Port Marine and Shipping Circulars to the shipping and harbour craft communities, emphasising the importance of navigational safety and to maintain vigilance whilst navigating.

The Singapore Port Operations Control Centre (POCC) has initiated broadcasts on the importance of safe navigation and vigilance in the Singapore Strait and within port waters. This is in addition to the traffic information that the POCC provides to the ships' crew. The Ship Master remains responsible for the safe navigation of his ship.

"MPA is gravely concerned about the recent incidents in Singapore's waters. We are working with the Singapore Shipping Association (SSA) to take immediate steps to

raise the level of awareness of navigational safety in the shipping community. MPA is committed to ensuring the safety of navigation in our waters and will work closely with our partners in the shipping community to reinforce this. MPA is also enhancing its navigational alerts to provide ship masters and pilots to help improve their situational awareness, pending the outcome of the investigations into these incidents," said Mr. Andrew Tan, MPA's Chief Executive.

Mr. Patrick Phoon, President of SSA, added: "The SSA is working closely with MPA on reinforcing the importance of safety of navigation in Singapore waters. I have full confidence that my members will heed this urgent call to do their utmost to emphasise to their ships' Masters and crew members to exercise vigilance at all times."

Marine fuels and emissions

The ASF's SNEC also considered fuel and emissions issues. Five years ago, the SNEC applauded the International Maritime Organization (IMO) when it adopted revisions to Annex VI of the International Convention for the Prevention of Pollution to Ships (MARPOL). The revisions, when entering into force based on the given timeline, would see a progressive reduction in emissions of sulphur oxide (SO_x), nitrogen oxide (NO_x) and particulate matter from ships.

On 1 January 2012, the global sulphur cap for ships was reduced to 3.50%, which is to be followed by a further reduction to 0.50% with effect from 1 January 2020. This reduction will be subject to a feasibility review to be completed no later than 2018. Similarly,



Image by Craig Mayhew and Robert Simmon, NASA GSFC

the sulphur cap in SO_x Emission Control Areas (SECAs) would be lowered from 1.0% to 0.1% from 1 January 2015.

In this regard, the SNEC expressed concern that refiners would not be able to make the necessary assessments without a credible study to demonstrate projected global demand for low-sulphur fuels. The Committee supports the International Chamber of Shipping's proposal that the IMO must begin work on an early study urgently, so as to provide refiners with a timely and reliable indication of expected demand.

Reiterating its support for practical and pragmatic measures aimed at reducing greenhouse gases from ships, the SNEC continued to maintain that it would have no objections in the development of a voluntary global system for the Monitoring and Reporting of CO₂ emissions at the IMO, provided it is simple and transparent and will not be used as the basis for the development of a full-blown Market Based Measure or mandatory system of energy indexing for existing ships.

However, the SNEC also expressed reservations about the cost of the verification and analysis process, which would need to be addressed. As for reporting requirements, the SNEC emphasised that data required and collected from existing sources should not be commercially sensitive, and should be submitted to the Flag State, which would then forward them to the IMO.

Fuel quality

In a continuing effort to ensure quality bunker deliveries, the MPA has cancelled the bunker supplier and bunker craft operator licences of Coteam Petroleum Trading Pte. Ltd. with effect from 1 April 2014 for contravening the terms and conditions of the bunkering licences.

The company was found to have breached Clause 3 of the terms and conditions of the Bunkering Licence (Bunker Supplier) by allowing other companies to use their Bunker Delivery Notes to supply bunkers. They were also found to have breached Clause 31 of the terms and conditions of the Bunkering Licence (Bunker Craft Operator) for delivering bunkers on behalf of an unlicensed company to customers of that company. Coteam Trading Pte. Ltd. will no longer be allowed to operate as bunker supplier in the Port of Singapore.

All bunker suppliers operating in the Port of Singapore are required to be licensed by MPA. MPA reminds all licensed bunker suppliers to adhere strictly to the terms and conditions of the bunkering licence. The bunker supplier's licence is not transferable. In addition, under Clause 31 of the terms and conditions of the Bunkering Licence (Bunker Craft Operator), bunker craft operators shall not make use of any bunker craft to deliver bunkers on behalf of any person, firm or company or which is not a bunker supplier licensed by MPA. Any bunker supplier or bunker craft operator found to have contravened any terms and conditions of MPA bunkering licences will have their bunkering licence suspended or cancelled.

BIMCO has made MPA's related guidance available from the BIMCO website, including updated lists of licensed suppliers.

Places of refuge

An Asian equivalent of the mv *Prestige* saga is now unfolding, with the plight of the mv *Maritime Maisie*. This understandably drew the attention of the ASF's SNEC, which expressed great concern at the plight of the chemical tanker. The *Maritime Maisie*, which has been held at sea supported only by six tugs, has yet to receive permission from any Port States to seek safe refuge in port to

offload the remaining cargo on board and to repair the damages that resulted from a collision and fire on board.

The vessel had previously collided with the car carrier *Gravity Highway* off Busan on 29 December 2013. The collision had resulted in damage and a fire that had severely weakened the structural strength of the chemical tanker. It has been more than 80 days since the collision and the vessel is still stranded at sea.

SNEC Chairman Patrick Phoon said: "Governments, if they are party to the SOLAS Convention and the ISM Code 1, should adopt the IMO Resolution A.949 (23) relating to *Guidelines on Places of Refuge for Ships in Need of Assistance*." He added: "The Guidelines recognise that, when a ship has suffered an incident, the best way of preventing damage or pollution from its progressive deterioration is to transfer its cargo and bunkers, and to repair the casualty. Such an operation is best carried out in a place of refuge."

Mr. Phoon continued: "The SNEC is not only strongly committed to a pollution-free marine and atmospheric environment, it is also strongly committed to the safety of navigation and the protection of life and property at sea. In this respect and as a matter of urgency, I urge the Coastal States to consider favourably to allow the vessel to seek refuge in one of their ports with full assurance from their Protection & Indemnity Club and Class Surveyors."

The committee further urged that respective States' regulatory framework should be supported by co-operation and communication with neighbouring States and their respective competent authorities, in order to facilitate decision-making in cases of ships in need of assistance. (TT) ■■

Ongoing EU shipping issues

MRV legislation proposal – latest developments

On 30 January, the Environment, Public Health and Food Safety (ENVI) Committee of the European Parliament (EP) adopted the draft report of the Rapporteur Theodoros Skylakakis on the Commission's proposal for a Regulation on the monitoring, reporting and verification (MRV) of carbon dioxide emissions from maritime transport.

According to the report, the scope of the regulation should be extended also to cover smaller ships and other types of emissions. Whereas the initial Commission proposal only made reference to ships above 5,000 GT, the text adopted by the ENVI Committee foresees that smaller ships of 400 GT or above should also be included in the Regulation. Moreover, the text extends the scope of the proposed Regulation by including Nitrogen Oxide (NOx) emissions.

The rapporteur was given the mandate by the ENVI Committee, following the vote, to negotiate with the Council (trilogue). However, a first reading agreement is no longer feasible, as no trilogue negotiations are foreseen before the end of this Parliament's term. The Plenary of the Parliament is expected to

vote on the ENVI Committee report on 16 April. The outcome will serve as the official EP position on the file and it would not be subject to modification by the next EP.

Regarding the developments in the Council, the inclusion of NOx emissions and the extension of the scope to ships above 400 GT has no support whatsoever amongst the member states. The aim of the current Greek Presidency of the EU will most probably be to issue a non-binding progress report that outlines the state of the discussions and not an official Council position binding for the upcoming Italian EU Presidency.

The Greek Presidency text will eventually be presented at the final Environment Council meeting scheduled to take place in June 2014. This file will probably drag out, perhaps only to be revived when a new European Commission has been settled in late 2014, or perhaps even later.

Deployment of Alternative Fuels Directive

Further to the Commission's proposal in January 2013 on the deployment of alternative fuels infrastructure, trilogue negotiation meetings recently took place aiming at

finding an agreement on the date for a sufficient number of LNG bunkering infrastructures to be put in place.

According to the Council, the minimum infrastructure should be in place by 2030, whilst the Parliament pushed for 2020. As a provisional result of the trilogue negotiations, an agreement was reached amongst the member states that "a sufficient number" of LNG refuelling infrastructures amongst core TEN-T European maritime ports should be developed by 2025.

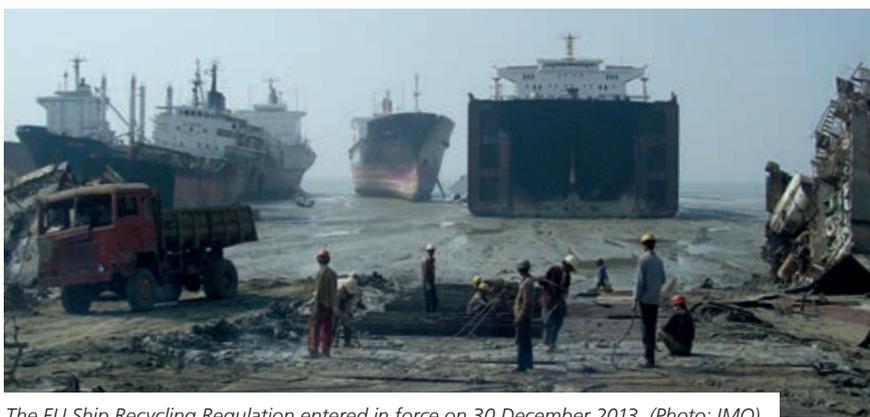
The shipping industry's stance has always been that the deadline for an appropriate number of refuelling points for LNG must be 2020. The reasoning behind the 2020 deadline was to coincide with the compliance date of the Sulphur Directive outside Sulphur Emission Control Areas (SECAs) (i.e. 1 January 2020).

ECSCA has expressed its disappointment at the outcome of the discussions, not only because the 2025 deadline will only come five years after the 2020 deadline by which ship owners across the EU will have to switch to compliant fuel (outside EU will depend on a fuel availability study in the IMO), but also because this particular Directive seemed to be the only remaining field in which the EU could effectively lend a helping hand to the shipping industry in its efforts to meet the sulphur requirements, both inside and outside SECAs.

The plenary vote on the adopted report is scheduled to take place on 15 April 2014. A final agreement could potentially be reached before the end of this Parliament.

Ship recycling – EU Regulation has entered into force

The EU Ship Recycling Regulation entered into force on 30 December 2013, whilst



The EU Ship Recycling Regulation entered into force on 30 December 2013. (Photo: IMO)



its various articles will apply at different stages, as detailed in Article 32 of the Regulation. In late January, the Commission undertook a stakeholder consultation process on the implementation of the Ship Recycling Regulation.

The shipping industry position remains that the 2009 Hong Kong Convention was adopted to specifically address the intricacies of international shipping and ship recycling and is the only instrument that can provide a serious and meaningful system of workable and enforceable global regulations.

European Sustainable Shipping Forum – latest developments

Further to the launch of the European Sustainable Shipping Forum (ESSF), two additional technical sub-groups were created: one focusing on the “Implementation of the Sulphur Directive” and the “Competitiveness” sub-group addressing the potential economic impact of the Sulphur Directive (including a possible modal backshift). The first round of the ESSF plenary and sub-group meetings was completed in January 2014.

The industry has expressed its concerns on the implementation of the Sulphur Directive, pointing out that the clock is ticking and that the shipping industry is already 10 months away from the beginning of the implementation of the Directive. The technology, though, does not seem ready to meet the new requirements.

However, it has been clarified by the Commission that while the Forum serves as a platform for structural dialogue and will address the challenges related to the implementation of the Sulphur Directive, it is not intended to re-open discussions regarding adopted legislation and targets or implementation dates.

ECSA is continuing to play an active role and is engaged in a constructive approach towards the ESSF and is closely monitoring the work of the Forum to ensure that relevant subjects will be adequately dealt with. The second round of ESSF meetings started mid-March.

Piracy – latest developments

An industry round table on piracy took place, bringing ECSA, BIMCO, the European External Action Service (EEAS), and the European Commission together to discuss Somali piracy and to clarify industry priorities on this subject.

Furthermore, the EU is attempting to streamline its efforts, with the adoption of its “integrated approach to global maritime security”, a strategy document presenting the Union’s vision with regard to maritime security interests and threats, and mapping out the areas in which co-operation between various maritime players can be enhanced.

The stated objective of this document is “to identify the maritime interests of the EU such as prevention of conflicts, protection of critical infrastructure, effective control of external borders, the protection of the global trade support chain and the prevention of illegal, unregulated and unreported fishing.”

Finally, a joint Communication of the Commission and the EEAS on the Gulf of Guinea that was adopted on 10 December 2013 was endorsed by the Council on 17 March. The Gulf of Guinea Strategy will serve as input to the upcoming EU-Africa summit in April.

EU-US Transatlantic Trade And Investment Partnership

The 4th round of the EU-US Transatlantic Trade and Investment Partnership (TTIP)

negotiations has now officially been concluded. Maritime transport services were on the agenda and exploratory talks were held between the two sides in order to acquaint themselves with the counterpart’s legislation in the matter and to present their priorities.

EU ports policy – latest developments

MEP Knut Fleckenstein, the rapporteur on the European Commission’s proposal for a Regulation on Market access to port services and financial transparency of ports, announced on 13 March that the legislative procedure for this particular file will be suspended.

Mr. Fleckenstein gave three reasons for his decision, namely time constraints, a lack of compromise on one of the most important elements (the scope of the market access chapter) and, finally, the need to better understand the European Commission’s intentions with regard to state aid rules applicable to ports.

Given the two previous failed attempts to regulate EU ports in 2003 and 2006, the Commission had adopted a more modest and cautious approach on its third attempt. Nevertheless, the proposal was about to be very much watered down by over 500 amendments tabled by MEPs, many of which would have led to a text devoid of meaning. Whether or not the legislative procedure is re-launched will depend on the new European Parliament following the European elections in May. (MLU) ■

Editor’s Note: This report has been produced in co-operation with the European Community Shipowners’ Associations (ECSA).



Ongoing US shipping issues

US ballast water rules and extensions

The very uncertain situation regarding US ballast water rules unfortunately continues to prevail due to different rules on the same issue from the US Coast Guard (USCG) and the US Environmental Protection Agency (EPA).

It is an unusual situation that within one country, different rules apply for the same issue. But this is what shipping is faced with in the US. BIMCO is in dialogue with the USCG and EPA on the extension issue. The short version of the current situation is that the USCG is approving extensions that the EPA does not fully accept.

At present, the USCG has approved extensions and has prioritised approvals based on dry-docking dates. The USCG can give extensions to the ballast water treatment implementation date where a “good faith” effort has been made to acquire a US type approved system suitable for use on that particular ship.

BIMCO understands that some extensions have been approved and issued by the USCG in late 2013 and early 2014. They apparently all extend the implementation date to 1 January 2016. The USCG has indicated that they have received some extensions relating to 2015 dry-docking dates, but they will be reviewed once the USCG has reviewed all the requests for vessels with dry-dockings in 2014.

The USCG extensions create the necessary flexibility for owners now that US type approved equipment is not yet available (the standard being stricter than the International Maritime Organization (IMO) standard). But the EPA has stated that while it will take a USCG extension into account, it

will not be legally bound by it. This means that a ship which is compliant with the USCG rules would not necessarily be compliant with the EPA rules. The EPA has stated that it will be a “low enforcement priority”. However, this policy will not apply to “grossly excessive ballast water discharges” or discharges which present an “imminent and substantial endangerment”.

This is a highly unsatisfactory situation for ship owners and is creating a range of concerns. These concerns include the risk of citizen suits, and the fact that the EPA can change the rules anytime and the definitions used are very unclear.

BIMCO will continue the dialogue with the US authorities, in close co-operation with US Chamber of Shipping, to contribute to establishing a regime making it possible for ship owners to call US port without facing such an uncertain situation.

New ballast water initiative in the US Congress

The only long term solution for ballast water in the US is to establish a new US regulatory instrument covering ballast water for international shipping at the federal level. BIMCO therefore welcomes the new potentially positive development regarding ballast water in the US Congress. S 2094 was introduced on 6 March 2014 by Senator Begich (Alaska) and was co-sponsored by 21 other Senators of both parties (bi-partisan support). The bill was referred to the Committee on Commerce, Science, and Transportation on 6 March 2014 for further action.

This bill would remove discharges incidental to the operation of commercial vessels, including ballast water (excepting the

usual exceptions including garbage, incinerator ash, oil/hazardous substances, sewage which are regulated elsewhere in USCG regulations) from the current EPA NPDES/VGP programme and would mandate the creation of regulations relating to these discharges. As proposed, the US Coast Guard would be the lead agency in promulgating these regulations, but would co-ordinate these regulatory initiatives “in consultation” with EPA.

The initial ballast water performance standard to be implemented is the IMO Ballast Water Convention standard contained in the IMO Convention and is defined as “best available technology economically achievable” at this point in time. In addition, the legislation would require the USCG to issue a more stringent standard (100 times IMO) no later than 1 January 2022 if a feasibility review conducted by 1 January 2020 indicates that this more stringent standard is achievable.

As regards any future changes to the performance standards, an accelerated implementation schedule would be adopted which would provide at least 24 months advance notice before the new implementation date takes effect. While this text may cause some concern to the industry, it should be noted that the legislation contains adequate grandfathering text such that on a ship on which a compliant (at the time of installation) ballast water treatment system is in operation, the said ship may continue to use that system, regardless of future changes to the performance standards, until the expiration of the service life of the system.

The legislation also contains provisions on the issuance of compliance date extensions similar to the process currently in place as well as a US type approval (“certification”)



process also similar to the programme currently in place.

A key element of this initiative is the provisions on pre-emption of state requirements by federal requirements. Strong pre-emption language is contained, *inter alia* reading “The standards shall...supersede any permitting requirement or prohibition on discharges incidental to the normal of a vessel under any other provision of law”, and the proposal would also prevent states from imposing additional specific requirements after the date of enactment.

This would be a great step forward in the US. However, a savings clause is included recognising the legality of more stringent state requirements which are in effect at the date of enactment, providing the USCG and EPA agree that these requirements are achievable, the technology is commercially available and

the requirements “are consistent with obligations” under international law.

Whilst at first read this saving clause may seem troublesome, the safety net of requiring USCG and EPA to sign off on any existing state provisions probably provides the necessary dose of reality to states which may choose to continue to live in an ideal world, without regard to the realities of ship operations and practical limitations on treatment technologies.

Future action timing and substance is unknown at this time. The Shipping Industry Coalition has encouraged legislators to move this matter forward. The major hurdle in the Senate which may delay the report out of the Committee to the full Senate is the ability to solicit support from Senator Barbara Boxer (California), who is also Chairperson of the Senate

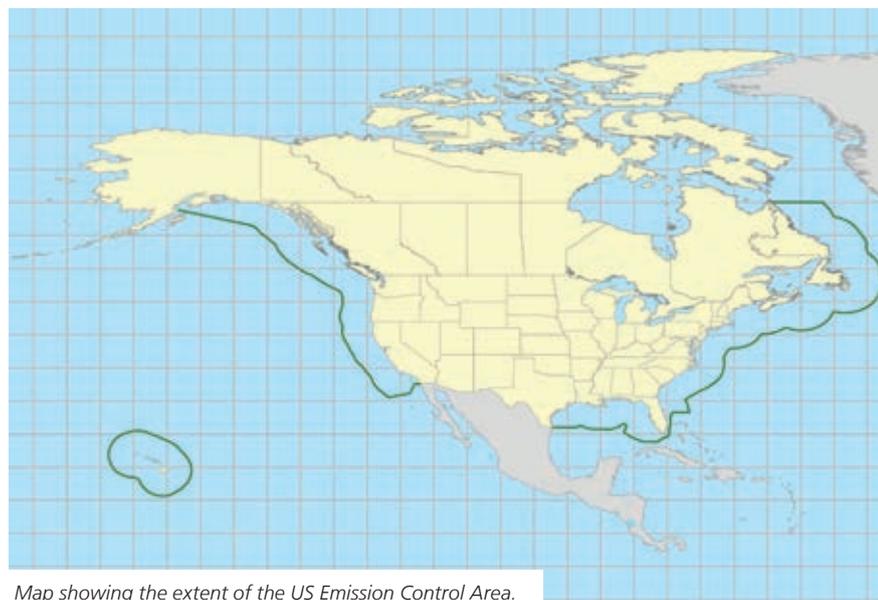
Environment and Public Works Committee and who has historically opposed any legislation which contains language pre-empting state programmes. Based on discussions with House Staff, if this bill can be successfully passed by the Senate, it would probably be passed in the House and then sent to the President for signature, at which time it become US Law.

Implementation of the North American Emission Control Area

The current US Emission Control Area (ECA) appears to be working without really serious issues on compliance, even though there have been some issues related to the bunker sampling location (manifold on the ship or the bunker supplier’s barge).

The dramatic change in the ECAs in Europe and North America will be the 0.1 sulphur limit from 1 January 2015. The US authorities are preparing themselves, including testing the possibility of checks from aeroplanes, of the emissions from ships approaching the US.

The general consensus is that the fuel will be available, but also more expensive. Some say it will cost as much as 60% more than fuels compliant with the global limit. BIMCO understands that the use of scrubbers is an issue not really being dealt with by the authorities. (MLU) ■■



Map showing the extent of the US Emission Control Area.

Editor’s Note: This report has been produced in co-operation with the Chamber of Shipping of America (CSA).

“Last done” – the perils and pitfalls of charter parties

Dealing with paperwork is a task few of us relish. It is time consuming and rather dull. In shipping as in all businesses, the focus is quite naturally on securing the best possible deal and quickly concluding the agreement.

To speed up the process, it has become increasingly commonplace in our industry for the parties to agree on a “as per last done” basis accompanied by a “recap” containing details specific to that particular fixture. Not surprisingly, few people want to go to the effort of producing a brand new charter party for each and every fixture.

There are new fixtures to be negotiated and so the task of completing the paperwork often falls by the wayside. But however boring it may be to produce a charter party that reflects what the parties have agreed, it is nevertheless an essential task. In 99.99% of cases, the voyage will proceed smoothly and there will be no need to refer to the terms and condition of the

agreement, but if a dispute arises the consequences of not having done the paperwork correctly can be considerable.

Stephen Mackin, Partner at Eversheds LLP in London, neatly sums up the importance of not only making sure that the contract is properly prepared, but that an appropriate form of contract is used: “The key issue in any contract is ensuring that the contract, when it is reduced to writing, reflects what the parties intended it to mean and does so in language that is unambiguous. Standard form contracts are drafted carefully to ensure clarity and minimise the areas for argument and dispute”. But standard forms of contract are generally used as “boilerplate” templates to which parties make amendments and additional clauses.

In Stephen’s view “Amending standard form contracts increases the risk of clauses not fitting together properly and therefore increases the scope for argument and dispute. The practice in the shipping industry is often to finalise contracts through an exchange of recaps. This is fine, but does create the risk of contractual terms being unclear; because of the language used in recaps and because of the multitude of amendments to the standard form wording and additional clauses that are introduced.

A similar issue arises in the use of non-standard form contracts or reprints of contracts from sources such as BIMCO. Using the original form ensures that the parties know the basis for the contractual terms, using a “pirate” version introduces the risk of typographical variations (deliberate or mistaken), which can cause issues if a dispute arises.”

Do you even have a contract at all?

The basic elements that need to be in place before a contract can be said to have been made are an “offer to contract” and an unconditional and matching acceptance, turning the offer into a binding agreement. All steps must also satisfy relevant communication requirements. If the acceptance does not mirror the offer it will not count as an acceptance but as a counter offer, which in itself is an offer on revised terms requiring unequivocal acceptance by the other party. Furthermore, under English law for an agreement to be enforceable, consideration to support the promise is required, as well as an intention to be legally bound.

Consideration means an act or promise given in exchange for the promise – so



Photo: Lauritzen Bulkers A/S



The Nicoline Bulker. (Photo: Lauritzen Bulkers A/S)

in charter party terms, for example, this means the offer of the services of a ship in exchange for the payment of hire. In commercial agreements, it is presumed that the parties intended to be legally bound unless clear words indicate the opposite¹.

More specifically, for a charter party to be enforceable there needs to be evidence that there has been a firm agreement on all essential terms. Such essential terms may be terms which, if lacking, would render the entire agreement unworkable or too vague. A recent case, *The Pacific Champ* [2013] EWHC 470 (Comm), illustrates the ambiguity recaps can cause. The Commercial Court held that the last sent recap did not contain or evidence a binding agreement between the parties.

The facts were that the disponent owners had bareboat chartered the vessel *Pacific Champ* on BIMCO's standard bareboat charter party BARECON. The disponent owners' broker then went into negotiations for a possible time charter of the vessel for the carriage of HBI (hot moulded briquettes of direct reduced iron) from Houston via the Orinoco River, and back to the US Gulf. The bareboat charter excluded trading on the Orinoco River.

The negotiations resulted in two recaps. The second and last recap, sent by the char-

terers, stated, *inter alia*, "SUB REVIEW OWNERS HEAD CP BTB". The charterers alleged that there had been a binding contract after the second recap had been sent and that it was for the charterers to lift the subject which referred to a *pro forma* NYPE time charter that had previously been received from the disponent owners.

The Court rejected the charterers' arguments and held that the subject in the recap could only refer to the disponent owners' bareboat charter with the registered owners of the vessel, and that it was for the owners to review this document to ensure that the proposed trade (HBI via the Orinoco River) was permitted, which, as a matter of fact, it did not permit. Thus, the subject could not be satisfied and no legally binding agreement between the parties had been made.

What are the terms of your agreement?

The majority of charter party disputes will be about identifying the terms that the parties have agreed upon since by the time the dispute has arisen, part of the contract may already have been performed and, under English law, there is generally a reluctance to come to the conclusion that there is no valid agreement where there has been performance².

A problem that BIMCO's Front Office is fre-

quently confronted with is recaps that refer to a "*pro forma* charter party as per logically amended", and where the parties later disagree about what "logically amended" meant, i.e. what amendments they intended to be made to the underlying charter party.

For example, if there are conflicting terms in the recap and the charter party in the sense that the same issue is dealt with in contradicting ways, making it impossible to comply with both provisions, both sides may have good arguments in respect of which of the terms that should prevail.

We also see that the same *pro forma* charter party is used over and over again for several different fixtures with various amendments done at each fixture but without anyone going through it and checking for inconsistencies. The end result is an unworkable contract full of conflicting clauses that lawyers would happily haggle over.

Another issue is where the recap refers to the underlying charter party "as per last", meaning the charter party which the parties previously agreed on. The problem here is if the "last" charter party was never issued, and if that was the case with several charters back, then it will be very difficult to identify the terms of the agreement.

Unclear references in recaps such as ref-

ferences to “BIMCO’s law and arbitration clause” also causes uncertainty since it will be difficult to tell which version of BIMCO’s standard dispute resolution clauses the parties intended to apply since standard clauses are updated from time to time. It is even more problematic when the clause reference in the recap does not name the standard clause correctly. This can also be the case with references to standard charter parties where there may be conflicts in respect of which edition should apply.

Risks with fixing on non-genuine BIMCO forms

BIMCO frequently receives reports from members and non-members alike who are offered business on the basis of unauthorised copies of BIMCO standard forms. Sometimes these homemade BIMCO forms are easy to detect by looking at the layout or for obvious spelling mistakes. But sometimes they are more difficult to spot and you would have to cross check every word in order to find out if they were fake or not. The use of a form in the honest belief that it is a genuine BIMCO form is not illegal and you will still be bound by its terms, but it can be a costly mistake.



A lot of work and effort goes into developing BIMCO’s standard contracts and clauses, which are characterised by their thoroughness and drafting craftsmanship. On average, it takes between one and two years’ work by highly experienced and dedicated experts in the relevant trade before a new form or clause see the light of day. The overall objectives guiding the drafters are to create documents that are balanced, legally sound and which provide certainty so that the parties will know, from the outset, what

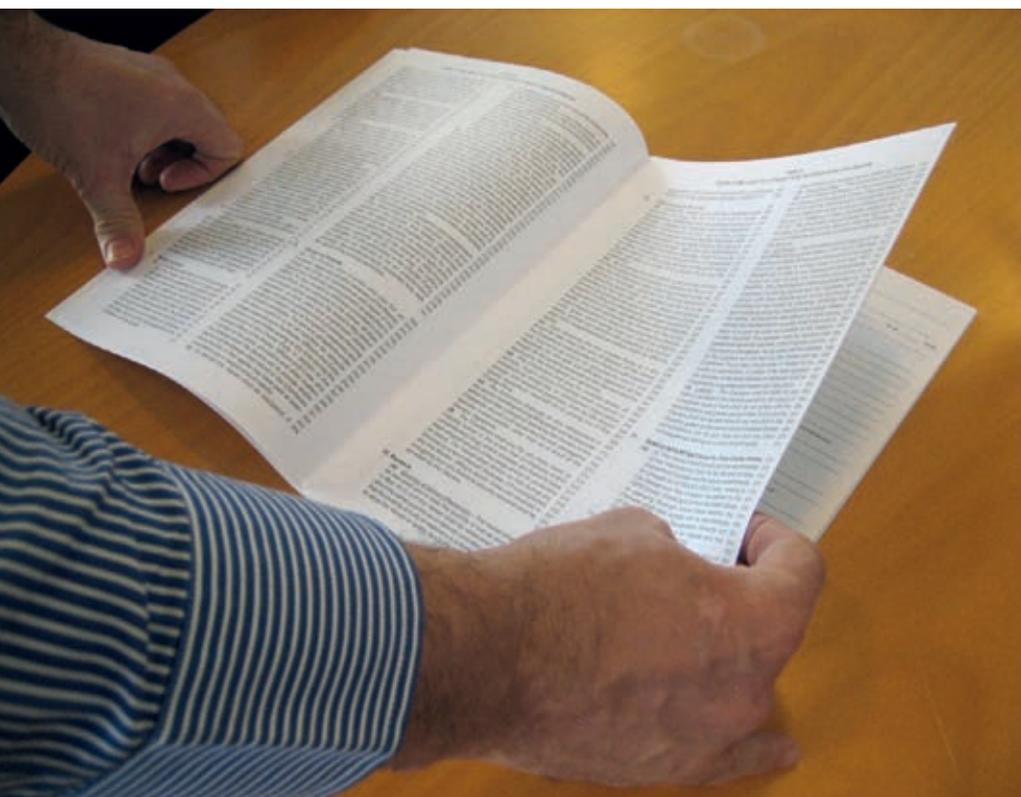
their rights and obligations will be under their contract. All this assists in avoiding disputes between the parties and plays an essential part in managing risks.

The main risk with using non-genuine BIMCO forms is that that you may be bound by bad terms in the sense that changes that favour the other party may have been made without you noticing. Then the balance between the parties is lost and uncertainty is created. The types of differences that may arise are for example slight changes in wording that change the allocation of responsibility e.g. adding the word “not” before “liable”. Thus, the assumption that a homemade BIMCO form contains the same wording as an authorised copy can be an expensive one, not least because in the eyes of the law there is little excuse for not reading the terms of the contract by which you have agreed to be bound.

It was for the purpose of creating contractual certainty that BIMCO’s on-line contract editing system, IDEA•2, was developed. Without a secure environment in which to use BIMCO contracts where all amendments are clearly shown, the industry may have lost faith in our documentary products in an electronic age.

Solutions

To avoid situations where the other party tries to pull out of the contract in search of a more lucrative deal, or to be lured into an unfavourable contract believing it to be a balanced BIMCO standard form when it is not, the advice will be obvious to all – always use an authentic BIMCO contract and read



it through from top to bottom checking for inconsistencies between printed standard wording and amendments and rider clauses. This will help significantly in reducing the likelihood of disputes arising. A diligent operator will usually undertake this task in-house, but often limited resources mean that it can take a disproportionate amount of time to complete. Some companies are now turning to third-party service providers to do their charter party work for them.

Anders Liengard, Vice President, Handy-size, at Lauritzen Bulkers in Copenhagen, explains that they decided to change their routines and start to use "CP-Desk" in Dubai for both legal and practical purposes. Before they signed up for CP-Desk's services it could take anything from three months to several years to execute a charter party signed by both parties. Today, the procedure runs much faster and efficiently and they feel confident that they have done their part in minimising the risk of future disputes.

CP-Desk launched their charter party service in 2013 to assist owners, operators, charterers and brokers with drawing up, reviewing and tracking charter parties to final execution. Because the charter party drafting and review process is so labour intensive and time consuming, many contracts remain unsigned, or, if signed, they often contain poorly drafted clauses or mistakes that can open the door to costly litigation. By using a third party to deal with the paperwork, efficiency is increased, risk reduced and time released to concentrate on other core business activities.

CP-Desk uses IDEA•2 to draw up charter parties for its clients. Captain Errol Gonsalves, Managing Director of CP-Desk explains that "We are a completely independent service provider with no ties to owners, charterers or brokers. As we began looking at the issue of charter parties in 2011, we strongly believed that service offerings backed by our commitment to quality, security, confidentiality, and compliance, would greatly benefit owners, operators, charterers and brokers in the drafting, verification and overall reporting of charter parties.

Today, that has proven to be the case; our customers have confidence that we can handle their sensitive information with-

Printed by BIMCO's idea

SHIPMAN 2009

STANDARD SHIP MANAGEMENT AGREEMENT

PART I

<p>1. Place and date of Agreement</p>	<p>2. Date of commencement of Agreement (Cl. 2, 12, 21 and 29)</p>
<p>3. Owners (name, place of registered office and law of registry) (Cl. 1)</p> <p>(i) Name:</p> <p>(ii) Place of registered office:</p> <p>(iii) Law of registry:</p>	<p>4. Managers (name, place of registered office and law of registry) (Cl. 1)</p> <p>(i) Name:</p> <p>(ii) Place of registered office:</p> <p>(iii) Law of registry:</p>
<p>5. The Company (with reference to the ISMISPS Codes) (state name and IMO Unique Company Identification number. If the Company is a third party then also state registered office and principal place of business) (Cl. 1 and 9(c)(ii))</p> <p>(i) Name:</p> <p>(ii) IMO Unique Company Identification number:</p> <p>(iii) Place of registered office:</p> <p>(iv) Principal place of business:</p>	<p>6. Technical Management (state "yes" or "no" as agreed) (Cl. 4)</p> <p>7. Crew Management (state "yes" or "no" as agreed) (Cl. 5(a))</p> <p>8. Commercial Management (state "yes" or "no" as agreed) (Cl. 6)</p>
<p>9. Chartering Services period (only to be filled in if "yes" stated in Box 9) (Cl. 6(a))</p>	<p>10. Crew Insurance arrangements (state "yes" or "no" as agreed)</p> <p>(i) Crew Insurances* (Cl. 5(b)).</p> <p>(ii) Insurance for persons proceeding to sea onboard (Cl. 5(b)(ii)).</p> <p>*only to apply if Crew Management (Cl. 5(a)) agreed (see Box 7)</p>
<p>11. Insurance arrangements (state "yes" or "no" as agreed) (Cl. 7)</p>	<p>12. Optional insurances (state optional insurance(s) as agreed, such as piracy, kidnap and ransom, loss of hire and FD & D) (Cl. 10(a)(iv))</p>
<p>13. Interest (state rate of interest to apply after due date to outstanding sums) (Cl. 9(a))</p>	<p>14. Annual management fee (state annual amount) (Cl. 12(a))</p>
<p>15. Manager's nominated account (Cl. 12(a))</p>	<p>16. Daily rate (state rate for days in excess of those agreed in budget) (Cl. 12(c))</p> <p>17. Lay-up period / number of months (Cl. 12(d))</p>
<p>18. Minimum contract period (state number of months) (Cl. 21(a))</p>	<p>19. Management fee on termination (state number of months to apply) (Cl. 22(g))</p>
<p>20. Severance Costs (state maximum amount) (Cl. 22(h)(ii))</p>	<p>21. Dispute Resolution (state alternative Cl. 23(a), 23(b) or 23(c); if Cl. 23(c) place of arbitration must be stated) (Cl. 23)</p>
<p>22. Notices (state full style contact details for serving notice and communication to the Owners) (Cl. 24)</p>	<p>23. Notices (state full style contact details for serving notice and communication to the Managers) (Cl. 24)</p>

It is mutually agreed between the party stated in Box 3 and the party stated in Box 4 that this Agreement consisting of PART I and PART II as well as Annexes "A" (Details of Vessel or Vessels), "B" (Details of Crew), "C" (Budget), "D" (Associated Vessels) and "E" (Fee Schedule) attached hereto, shall be performed subject to the conditions contained herein. In the event of a conflict of conditions, the provisions of PART I and Annexes "A", "B", "C", "D" and "E" shall prevail over those of PART II to the extent of such conflict but no further.

Signature(s) (Owners)	Signature(s) (Managers)
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This document is a computer generated SHIPMAN 2009 form printed by authority of BIMCO. Any insertion or deletion to the form must be clearly visible. In the event of any modification made to the pre-printed text of this document which is not clearly visible, the text of the original BIMCO approved document shall apply. BIMCO assumes no responsibility for any loss, damage or expense as a result of discrepancies between the original BIMCO approved document and this computer generated document.

Continued

out question. We also believe that in today's environment, charter parties require the personal attention of trained professionals, rather than shipping trainees as is often the case. Thus, we established CP-Desk to give charter parties the expert attention they need and to help owners, operators, charterers and brokers limit their exposure to expensive disputes."

Conclusion

Contracts work best when parties have a clear understanding of their rights and obligations. Contractual ambiguity is a breeding ground for disputes. Disputes are always costly and hugely time-consuming – they far outweigh the effort to implement the simple measures necessary to make sure contracts are properly drawn up in the first instance.

A diligent owner or operator should always make sure that a charter party is issued, that it is authentic and checked for inconsistencies and other pitfalls. It may be dull work but it is also absolutely vital in reducing the risk of disputes arising. So in the end it is time very well spent. (AWE) ■

Notes

- ¹ There are numerous cases on contract formation, see for example *Harvey v Facey* [1893] AC 552, *Gibson v Manchester City Council* [1979] 1 WLR 294, *Currie v Misa* [1875] LR 10 Ex 153 and *Baird Textile Holdings Ltd. v Marks & Spencer plc* [2001] EWCA Civ 274.
- ² *Trollope & Colls Ltd. v Atomic Power Construction Ltd.* [1963] 1 WLR 333.

The Griffon

Sale of ship – Deposit – Sale agreement providing for payment of 10% deposit by buyers – Buyers failing to pay deposit – Sellers terminating contract for accepted repudiation and/or pursuant to contractual cancellation clause – Whether sellers entitled to recover deposit as a debt or confined to damages/compensation in lesser amount. *Griffon Shipping LLC v Firodi Shipping Ltd. (The Griffon)* – Court of Appeal (Sir Brian Leveson P, Tomlinson and McFarlane LJ) [2013] EWCA Civ 1567 – 10 December 2013

On 28 April 2010 the claimant sellers agreed to sell the vessel *Griffon* to the defendant buyers at a price of USD 22 million less 2% commission. On 1 May 2010 the Memorandum of Agreement (MoA) based upon the Norwegian Saleform 1993 (NSF 1993) was signed. Clause 2 of the MoA stipulated that a deposit of 10% (some USD 2,156,000) was payable within three banking days of signature, i.e. by 5 May 2010.

The deposit was not paid by 5 May 2010. On 6 May 2010 the sellers accepted the buyers' conduct as a repudiation of the MoA and/or cancelled the MoA. The buyers accepted that their failure to pay the deposit was a repudiatory breach.

The sellers claimed to recover the deposit

as a debt. The buyers said that, on the true construction of the MoA and, in particular, clause 13, the sellers were only entitled to claim "compensation for losses" and not the deposit. The damages recoverable by the sellers on the conventional measure of the difference between contract and market price were said to be USD 275,000, substantially less than the deposit.

Clause 13 of the MoA provided:

"13. Buyers' default
Should the deposit not be paid in accordance with Clause 2, the Sellers shall have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in

accordance with Clause 3, the Sellers have the right to cancel the Agreement, in which case the deposit together with interest earned shall be released to the Sellers. If the deposit does not cover their loss, the Sellers shall be entitled to claim further compensation for their losses and for all expenses incurred together with interest."

On the hearing of a preliminary issue the arbitration tribunal found in favour of the buyers and held that the sellers were only entitled to damages/compensation in the lesser sum.

Teare J allowed the sellers' appeal – (see summary in *BIMCO Bulletin* 4/2013, pp 66-67). He held that it had long been recognised that deposits which had fallen due for payment remained payable notwithstanding that the contract was terminated

after the deposit fell due (*The Blankenstein* [1983] 2 Lloyd's Rep. 522 and [1985] 1 Lloyd's Rep. 93 (CA)). Clause 13 did not expressly or impliedly deprive the sellers of the right to payment of the deposit in circumstances where it had accrued due.

The buyers appealed to the Court of Appeal, submitting that the 1983 amendment to the NSF (which added the current first paragraph to clause 13) had the effect of depriving the sellers of the ability to recover and retain the unpaid deposit. The right to receive the deposit had not been unconditionally acquired by the sellers because the NSF 1993, unlike the NSF 1966, demonstrated by its terms that the deposit was neither payable nor, a fortiori, forfeitable if unpaid before termination of the contract.

Held, that the buyers' submissions would be rejected. The first limb of clause 13 did not prescribe what was to happen if the deposit was unpaid. It conferred upon the sellers a valuable contractual remedy over and above the remedy which they already enjoyed at common law.

The existence of the prospective contractual rights afforded by the first limb of clause 13, exercisable in the event of a failure to pay the deposit on time, could have no bearing on the proper characterisation of the sellers' and buyers' rights and obligations in the period between signature of the contract and the expiry of the time within which the buyers had promised to pay the deposit. The first limb of clause 13 was of no relevance to the proper characterisation of the rights and obligations to be spelled out of clause 2.

The deposit was, as clause 2 of the MoA provided, "security for the correct fulfilment" of the agreement. It was an earnest of performance. The right to receive it was unconditional (*The Blankenstein* applied).

On 5 May the sellers were invested with an accrued right to sue for the deposit as an agreed sum forfeitable in the event of failure by the buyers correctly to fulfil the agreement. The presumption was that neither party intended to abandon any remedies for its breach arising by operation of law.

Clear express words had to be used in order to rebut that presumption. The first limb of clause 13 did not provide clear express words intended to deprive the sellers of their accrued right to sue for the deposit. Indeed, the first limb did not purport even to bear upon the question what was the nature of the sellers' rights at common law consequent upon a failure to pay the deposit on time.

On 6 May the sellers both accepted the

buyers' repudiatory breach in failing to pay the deposit on time as terminating the agreement, and exercised their right to cancel the agreement afforded by the first limb of clause 13.

The rights unconditionally acquired by the sellers prior to termination survived the termination. Accordingly, the sellers retained the right to sue for the deposit as an agreed sum which they might simply recover in debt. Alternatively, the sellers had an accrued right to sue for damages for breach of the obligation to pay the deposit, the measure of which was the amount of the deposit.

The appeal would be dismissed. ■■

Editor's Note: The above is a summary of a London judgment which appeared in Lloyd's Maritime Law Newsletter No. 890 of 10 January 2014, and which is reproduced by kind permission of the publishers, Informa Law.

Applicability of BIMCO ISPS Clause

Charter party – Cost of security guards ordered by US authorities – Whether charterers liable – BIMCO ISM/ISPS Clauses for voyage charters

By a voyage charter party on an amended GENCON form, evidenced by a fixture recap email, the claimant owners chartered the vessel to the respondent charterers for the carriage of a cargo of corn in bulk from a Turkish port to a US port.

A dispute arose in relation to the cost of security guards ordered by US Customs and Border Protection for the duration of the vessel's stay at the US discharge port. The owners claimed the costs from the charterers. The charterers denied liability.

The fixture provided:

“VSL/OWNERS/MANAGERS ARE ISM/ISPS FITTED AND CERTIFIED ...

VSL TO BE IN POSSESSION OF ALL REQUIRED DOCUMENTATION IN ACCORDANCE WITH LOCAL AND INTERNATIONAL REGULATIONS ...

OWNER SATISFY THEMSELVES ABOUT ANY RESTRICTION FOR CALLING MENTIONED L/D PORT DIRECTLY WITH THE AGENTS ...

BIMCO ISM/ISPS CLAUSES FOR VOYAGE CHARTERS TO APPLY ...”

There was a dispute as to which clause was incorporated by the reference to the BIMCO ISM/ISPS clauses for voyage charters. The owners said that the clause incorporated was the BIMCO ISPS Clause which provided in section (d) that:

“(d) Notwithstanding anything to the con-

trary provided in this Charter Party, any additional costs or expenses whatsoever solely arising out of or related to security regulations or measures required by the port facility or any relevant authority in accordance with the ISPS Code including, but not limited to, security guards, launch services, tug escorts, port security fees or taxes and inspections, shall be for the Charterers' account, unless such costs or expenses result solely from the Owners' negligence. All measures required by the Owners to comply with the Ship Security Plan shall be for the Owners' account.”

The charterers said that the BIMCO ISPS Clause had been replaced by the BIMCO ISPS/MTSA Clause for Voyage Charter Parties in June 2005 which was therefore incorporated to the charter party. That clause provided that the cost of security guards was to be for the charterers' account “unless such costs or expenses result solely from the negligence of the Owners, Master or crew or the previous trading of the Vessel, the nationality of the crew or the identity of the Owners' managers”.

The vessel's agents had filed details of the vessel's anticipated arrival at the discharge port with the US Customs and Border Protection Advance Targeting Unit on 26 December. The information filed included a list of the vessel's crew, specifying which of the crew members on board had valid US visas. In fact, only three of the crew members did so. On 1 January 2013 the US Customs and Border Protection Unit responded to the agents, requesting that the vessel submit a security plan for the vessel, which involved security guards monitoring the

vessel while in port. The cost of the security guards was USD 34,340.

The charterers submitted that the US Customs and Border Protection Unit required security guards because the owners had been negligent in failing to ensure that all, or at least a sufficient number of, crew members had US visas in order to stand gangway watch while the vessel was in port. That, combined with the nationality of the crew (who were all non-US nationals), rendered the owners liable for the cost of the security guards under the terms of the BIMCO ISPS/MTSA Clause.

In support of their case, the charterers referred to a port information sheet provided by the port agents to the owners with their pro forma disbursement account in which it was stated that “CBP may require shore side guards depending on number of crew without US Visas”. The charterers said that that had given the owners advance warning of the need to ensure that all, or a sufficient number of, crew members had applied for and obtained visas. The charterers also referred to the fact that the request to provide guards had been made in response to the filing of the vessel's arrival details and crew visa list on 26 December. It was apparent from this that the requirement of guards was directly related to the submission of information showing that only three crew members had US visas.

The owners said that where the fixture recap expressly provided that the BIMCO ISPS Clause was to apply it made no difference that the clause might have been officially withdrawn by BIMCO as that in itself

did not prevent the parties from incorporating the original clause into their charter party. In any event, it made no difference which clause had been incorporated as in either case the cost of the security guards was for the charterers' account. The idea that US Customs and Border Protection had imposed a requirement of security guards solely by reason of the crew not holding US visas was pure speculation; there was no requirement mandating that vessels calling at US ports had to carry a crew having US visas. It was an everyday occurrence for vessels to call at ports in the US with foreign crew not having visas: the simple requirement in such cases was that the crew remained on board the vessel.

Held, that the first question was which of the two BIMCO wordings was incorporated to the charter party. The terms in the fixture recap were "BIMCO ISM/ISPS CLAUSES FOR VOYAGE CHARTER TO APPLY". Both of the clauses referred to were identifiable BIMCO provisions, the terms of which were readily ascertainable.

It was true that the original wording of the ISPS Clause had been superseded as BIMCO's preferred wording by the ISPS/MTSA Clause. The new wording, however, was not simply an updating or new edition of the ISPS Clause but also of the US Security Clause for Voyage Charter Parties. Consequently, the new provision carried the different name of "BIMCO ISPS/MTSA Clause for Voyage Charter Parties 2005". That renaming of the clause by BIMCO was clearly intentional and reflected the broader scope of the new clause: in other words, it had a distinct identity to the earlier clause.

The charterers' submission invited the tribunal to consider the reference to the BIMCO ISPS Clause as being in some way generic and therefore including any later variations of the clause, even if the subject

matter of those clauses was not the same. That was not appropriate. The two clauses had their own separate BIMCO names and identities. The mere fact that one clause might have been withdrawn by BIMCO in favour of the other did not of itself mean that the earlier clause could not be adopted by the parties as part of their contract. To the contrary, in a chartering context the two clauses were distinct alternatives to each other and it was not unusual to see one or the other in charter parties. It was, therefore, open to the parties to agree to incorporate the BIMCO ISPS Clause in its own right without any necessary implication that the later BIMCO ISPS/MTSA Clause would apply. If the parties had wished the latter clause to apply they might either have referred to it by its proper name in the recap or referred to the ISPS Clause "or any later revision thereof". As they did neither, the narrower provisions of the BIMCO ISPS Clause applied. Accordingly, for the charterers to succeed, they had to establish the owners' negligence as giving rise to the requirement of security guards.

It was not mandatory for all foreign crew to arrive at US ports with a valid US visa. As long as the crew stayed on board the vessel and did not step ashore, they could not be considered to have entered the US and there would be no violation of immigration laws. In the circumstances it was not negligent for the vessel to arrive at the discharge port without US visas for all, or any sufficient number of, its crew. Furthermore, it was by no means clear that it was the lack of visas for all crew members that caused the US Customs and Border Protection Unit to require security guards while the vessel was in port.

It was true that there was an element of coincidence between the submission of the crew list and request for a security plan for the vessel. If, however, a security plan was

to be requested it was likely that would anyway be done when the agents filed the vessel's arrival details. The evidence was therefore at best ambiguous and fell short of establishing that the two were indeed causatively connected (and therefore defeated the charterers' case even if the BIMCO ISPS/MTSA Clause was incorporated to the charter party). The cost of the security guards therefore fell for the charterers' account under the terms of the BIMCO ISPS Clause for Voyage Charter Parties.

Consequently, the owners were entitled to the sum of USD 34,340 as claimed, plus interest and costs. ■■

Editor's note. The comment by the Tribunal that the fact that making a revision of a clause will not automatically nullify a previous version, is at the root of this case. The point is that there is freedom of contract when negotiating a charter party and there is thus a risk that, as in the present case, it will be held that it is a previous version of a clause which is held to be the applicable version. Whereas in the present case it made little difference, the risk is still that if a clause has been updated and there may be a marked difference between the old and new versions of that clause. It may come as an unpleasant surprise if, for instance, an arbitration tribunal has to decide what the parties may have had in mind at the material time.

The above is a summary of a London Arbitration Award (No. 5/14) which appeared in Lloyd's Maritime Law Newsletter No. 892 of 7 February 2014 and which is reproduced by the kind permission of the publishers, Informa Law.

Contract of affreightment for 6,000,000 metric tonnes

In 2006 United Quarries (UA) negotiated a supply contract with Qatar Quarries to supply 2,000,000 metric tons per year of aggregate. UA sourced the aggregate in the United Arab Emirates and needed vessels to lift the cargo.

In due course, UA negotiated and entered into a Contract of Affreightment (COA) dated 26 April 2006 at Dubai on a modified GENCON form between TBS Middle East Carriers, Ltd. of Majuro, Marshall Islands, as Disponent Owner (hereinafter “TBS” or “Owner”) and United Quarries of Fujairah, U.A.E (hereinafter “UQ” or “Charterer”).

The COA called for the carriage of about 2,000,000 metric tons of crushed gabbro aggregate in bulk, 5% more or less in TBS’s option, per year for a period of three years for a total quantity of about 6,000,000 metric tons. In all there were 135 voyages under the COA.

Almost inevitably disputes arose, which the parties submitted to arbitration. There were no hearings, as the parties agreed to submit the evidence on documents and briefs only. Thus there was no testimony and the arbitrators had little to go on in determining the credibility of the persons submitting written statements.

The primary defence of UQ was that it was a neophyte in the shipping business and did not understand the terms that were in the COA and had never agreed to them.

The negotiations leading to this COA were

begun and conducted primarily between the Executive Vice President, Business Development, for TBS and Managing Director/Partner of United Quarries.

The managing director explained that he was not fluent in English and this COA was the first freight contact he had entered into. He relied upon and so trusted TBS that he accepted the charter agreement proffered by TBS without fully understanding its terms. According to him, his discussions with TBS only concerned freight and demurrage and nothing was mentioned about UQ having to pay bunker escalations, shifting charges, or additional war risk insurance premium. In addition, UQ submitted a claim for an address commission.

He was presented with a COA described to him as very reasonable which he, together with the Chairman of UQ, readily signed. At no time did anyone at TBS suggest UQ consult a third party to explain the terms of the COA contract. He signed three versions of the COA, all of which were dated 26 April 2006, but only one was also signed by UQ’s Chairman and TBS.

The panel determined that the jointly executed version controlled the various disputes and quoted those portions of its clauses that they regarded as relevant to the

parties’ quarrels. Thus, UA’s primary argument was rejected by the panel. However, the Panel also emphasized that TBS had drafted the COA and therefore any ambiguities would be construed against it.

Each of the reimbursement claims made by TBS is prominently addressed in the jointly signed COA. Thus, notwithstanding what may have been verbally transpired or even agreed between the negotiating executives, UQ had ample opportunity to examine the contract’s terms and consult lawyers or more experienced third parties to explain UQ’s prospective legal obligations before actually signing the COA.

Contrary to UQ’s assertions, TBS had no obligation to suggest that UQ seek expert counsel. Insofar as UQ’s representative’s less than perfect command of the English language is concerned, the panel noted that the underlying three year supply contract between UQ and Qatar Quarries & Building Materials Co. was also in English. Obviously, the managing director was sufficiently comfortable with his understanding of English to conclude two very substantial companion contracts in that language.

In summary, irrespective of whether UQ’s trust in TBS was misplaced, the panel found that UQ willingly signed the COA

and having done so, is bound by its terms. The panel found no grounds to dismiss the claims of TBS or excuse UQ's contract obligations based upon alleged misrepresentations which not only are uncorroborated, but are contradicted by the express terms of the jointly signed COA. The arbitrators opted to examine and decide each of the claims made by TBS against the language of the COA and their best understanding of the supporting documentation.

After deciding the owner's claim items and making a reconciliation of accounts, the panel turned its attention to UQ's claim for an address commission of 1.25% based on freight and demurrage. Addendum #3 to the COA provided for a commission of 0.65% on freight only. Consistent with its prior rulings, the panel denied UQ's claim for 1.25% commission as "not proven" as the Scottish jurist might say. Or "a deal is a deal" and a claim of ignorance will not be availing. The panel wrote:

"We readily acknowledge that an address commission of 0.65% payable only on freight is unusual. A more customary commission would be 1.25% payable on both freight and demurrage. Although that tends to agree with UQ's contentions, parties are free to negotiate contract terms that depart from what might be described as the usual and

customary arrangements. Here again, UQ had the opportunity to examine the COA and either require the address commission to be inserted into the COA or call for a side letter that memorialized that commission. UQ's failure to do either, leaves us with no corroborating evidence of its position and, therefore, no choice but to reluctantly accept that UQ is due an address commission of 0.65% credit payable only on the freight earned by TBS. We calculate that commission to be USD 196,764.33, which amount we hereby award to UQ."

Parties

TBS Middle East Carriers, Ltd., as Disponent Owner, and United Quarries, as Charterer under a GENCON form Contract of Affreightment dated 26 April 2006.

Before: Charles M. Measter, A.J. Siciliano and Gerard T. Desmond, Chairman

Appearances

For TBS Middle East Carriers, Ltd.
Cardillo & Corbett, by Tulio R. Prieto, Esq.

For United Quarries
S.G. Chancery Chambers, by Sunil George, Esq and Shafi Mogral, Esq.

Wanchoo Law Offices, LLP, by Rahul Wanchoo, Esq., Aglaia Davis, Esq.



Patrick V. Martin

(Society of Maritime Arbitrators (SMA)
Award No. 4220 dated 11 November 2013)

Editor's Note: This summary has been prepared by Patrick V. Martin Esq., counsel for the Society of Maritime Arbitrators of New York (SMA)

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