Contents

GHG: The challenge of our lifetime  by Lars Robert Pedersen, Deputy Secretary General  4
Looking back to move forward  by Søren Larsen, Deputy Secretary General  6
Top 10 BIMCO achievements of 2018  8
Security at sea  by Jakob P. Larsen, Head of Security  10
Global shipping scouts for future growth  by Peter Sand, Chief Shipping Analyst  12
10 things to look out for in 2019  14
President’s foreword

2018 has been an eventful year in shipping, and I believe 2019 will be no less interesting. From our vantage point in BIMCO, the industry is moving in the right direction. There were three industry-driving issues in 2018, and all are likely to dominate the headlines even more in 2019: the 2020 sulphur cap; reducing greenhouse gas emissions; and economic protectionism.

The convergence of these high-impact issues will be a hard-to-manage trio of challenges for the leadership teams of every shipping industry company.

The implementation of low sulphur regulations will require an additional eye on risk management. Operational procedures and on-board practices will have to change. Planning for – and ensuring compliance from – 1 January 2020 is going to top the agenda of management teams over the coming year.

There will also be a need to protect all participants through the transition and beyond; BIMCO is busy crafting a suite of sulphur clauses that will be promptly published.

Greenhouse gas emissions will continue to be a big issue far beyond the immediate horizon. To have any chance of meeting the greenhouse gas targets agreed at the IMO in April – in particular the 50% reduction by 2050 – we will need to invest in research and innovation focused on zero carbon fuels and propulsion units. Future emissions from shipping are not nearly as bad as previously forecasted, as seen in the recalculation (as requested by BIMCO) of the original Third IMO GHG Study by its author, CE Delft. Despite this, the study still shows a big gap that we need to close to reach a 50% cut in total carbon emissions.

Both environmental issues have the potential to disrupt our industry. At BIMCO we will concentrate our efforts on developing and proposing pragmatic solutions, which will minimise the environmental footprint and optimise the efforts of the shipping industry.

What I certainly had not predicted was a return to economic protectionism, with the United States as the leading proponent.

The impact and disruption of Donald Trump’s presidency on shipping is hard to measure. BIMCO is continuously analysing the impact and it is clear that there are both predictable and unpredictable consequences to trade. As expected, US soya bean exports to China have dropped, reducing transport miles and making the deployment of ships harder. What was not expected were Chinese crude oil imports from the US dropping to zero in August and September, despite the fact that there are no tariffs on oil. The wider effects on the world economy and world trade are only just beginning to show.

In this publication, you will be able to read more in-depth perspectives on all three issues.

We look forward to working on them with you in 2019.

Anastasios Papagiannopoulos
President of BIMCO
We have seen a remarkable increase in global transport work performed by the shipping industry. In the same period, CO₂ emissions from ships have declined from 916 million tonnes in 2008 to 812 million tonnes in 2015.

The improvements realised so far can be attributed to a combination of bigger ships, lower speed, improved energy efficient design (EEDI), better ship design in general and better operational performance. But there are obvious limitations as to how much further such improvement measures can take us.

While there is a case for continuing the efficiency improvement pathway for the existing fleet, it is obvious that the IMO has set the path for a change in gear. We need to get our heads around how new ships – which will trade by 2050 – can operate with substantially lower GHG emissions.

We are facing the challenge of a lifetime in shipping.

2018 was the year when the International Maritime Organization (IMO) agreed to an absolute numeric Greenhouse Gas target for the international shipping sector. As a consequence shipping must, by 2050, reduce its Greenhouse Gas emissions by at least 50% compared with 2008.

This agreement is a landmark event by any measure. It is also an agreement that will require much change in the shipping sector.

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Looking towards 2019, our task is to make sure the journey towards 2050 and beyond continues the positive trend established since 2008.
The preferred option will remain compliant fuel for some considerable time, well into the 2020s and therefore, the demand for compliant fuel will not ease off anytime soon.

We need to ensure that shipowners and charterers can – and will – comply with the 2020 sulphur limit, irrespective of the means of compliance chosen. That requires revised and updated BIMCO clauses for charter parties.

**Changing the nature of fuels**
What has become clear is that 2020 is not just about changing the sulphur content in the types of fuel we normally consume – it will substantially change the nature of the fuel used by most ships. That is because the most cost-effective way to produce compliant fuels is by blending high-sulphur residual streams with low-sulphur streams. This leads to increased blending of lighter components in the fuel – with ramifications on the quality.

The fuel-oil quality requirements, therefore, need to be addressed as well. MARPOL Annex VI sets out the legislative minimum requirements for fuel-oil quality, and the shipping industry must insist that these are complied with. Similarly, if these minimum requirements are breached, the industry must insist that appropriate enforcement actions are taken by port states. Unfortunately, port states do not have a good track record of enforcement, and BIMCO stands fast that this must change with the 1 January 2020 implementation.

**Autonomous ships**
There are other issues than protecting the environment. Autonomous ships, unmanned ships, self-driving ships – many different names are used to describe ships where the human interaction in operation is reduced by innovative technical means. The IMO has decided to call these ships maritime autonomous surface ships (MASS) and will determine potential changes needed within the conventions and regulations to allow their international operations.

Some IMO member states place great importance in this field, as do companies engaged in developing and commercialising equipment needed to make MASS possible. BIMCO is engaging in the IMO process to ensure the needs of shipowners are accounted for in the regulatory process.

The question of how soon we will see such ships trading between countries remains. It is BIMCO’s view that this may well take more than a decade, and eventually be decided by such ships’ economic advantage over conventional ships.

**The days are over when shipowners could operate without public scrutiny**

**General outlook**
The environmental agenda will continue to push the shipping industry into an increasingly more sustainable business path. The days are over when shipowners could operate without public scrutiny, and it is imperative to adopt management systems to oversee compliance within ship-owning companies.

There is also a careful balance to maintain between efforts to preserve the environment and ship safety. While it is impossible to argue that the environment should not be protected, it is the shipping industry’s obligation to ensure the measures taken to enhance the protection of the environment do not impede the safety of the ships we operate.

BIMCO will continue to focus on the practical implementation of regulations, and will seek to ensure that the necessary balance between ship safety and environmental protection is duly considered in the process.

*Lars Robert Pedersen* has over 30 years’ experience in the shipping industry, which, combined with his insight into the IMO, makes him a respected authority on technical and regulatory issues. Robert was appointed Deputy Secretary General of BIMCO in 2010 and leads a team of experts responsible for BIMCO’s technical, security and operational activities. Before joining BIMCO, he had a career at A.P. Moller-Maersk handling regulatory affairs and technical management of the Maersk fleet of container ships after having spent 7 years as a seagoing officer. Robert holds an unlimited Chief Engineer’s licence.
Looking back to move forward

2018 has been a busy year for the contracts and clauses team at BIMCO, preparing for a constantly changing world and – not least – for the industry heading towards the new low-sulphur requirements adopted by the IMO. 2019 will be equally busy, getting the industry there with the right contractual framework.

Modesty aside, it’s probably fair to say that charter parties is a word synonymous with BIMCO. We have been at the forefront of developing standard charter parties since the organisation’s inception more than 100 years ago. Our world is becoming increasingly complex, but demand for standard contracts and clauses remains undiminished. What has changed is the diversity of shipping-related sectors for which we have developed them.

An increasingly important element of our development work is broad industry engagement. Our objective is to produce neutral and clearly worded documents that two parties will willingly agree on as a starting point for negotiations. To achieve that objective, we try to ensure that the teams of industry professionals we use to write our standard contracts and clauses have relevant experience and expertise on the subject matter, and are drawn from key stakeholders such as owners, charterers, shipbrokers and P&I clubs.

But our engagement doesn’t end there. All our most important contracts and clauses benefit from industry consultation at the latter stages of development. By going out to the industry and sharing our ideas, we receive valuable feedback that helps us develop the final product for publication.

A good example of this process is the BIMCO Bunker Terms 2018, where we were fortunate to bring together a group of bunker suppliers, traders and buyers. They freely exchanged views and ideas on how best to reach a compromise between their individual interests to create a neutral set of standard terms and conditions for buying bunkers. We are already seeing that the Bunker Terms 2018 are being used and accepted by parties on both sides of the contract. This is entirely down to having the key stakeholders openly discuss their contractual needs and concerns.

Expanding the scope

The Bunker Terms also illustrates the diversity of the range of contracts BIMCO produces. In fact, charter parties are now only a small part of our activities. 2018 saw our reach extend into the finance sector with the development of two standard loan term sheets – one for bilateral loans and one for syndicated loans. BIMCO is less well known in the banking and finance sector but, by engaging with some of the world’s major banks during this successful project, we have improved our visibility in a sector that offers many future opportunities for BIMCO to develop ship finance-related documents.

But looking towards 2019 and beyond, what can we expect? Leadership involves creating a clear vision of the future and being able to share that with others. To move forward, we sometimes need to look back. BIMCO has, for many years, pursued a strategy of developing contracts for every niche sector of the industry. We have flourished in many new areas as a result of this strategy – from offshore work in the oil, gas and renewables sector to highly specialised

"Our world is becoming increasingly complex, but demand for standard contracts and clauses remains undiminished"
contracts for maritime security. Surprisingly, where we have been less successful is in the development of trade-specific charter parties for coal, grain, iron ore and cement.

What we have learned recently is that many users of BIMCO voyage charters would rather take our highly popular GENCON general purpose voyage charter party and adapt it for different commodities than use a charter party written specifically for that cargo.

On reflection, that is understandable. You take a “base” set of standard terms and conditions that are widely used and familiar to both parties and add clauses designed for the specific trade. Unless you are operating in a single trade, it makes a lot of sense to do it this way. It is a process that may well inspire BIMCO’s future thinking, when we look at proposals for new standard contracts.

Challenges in a constantly changing world
In producing standard contracts and clauses, BIMCO is not limited to reacting to industry demand. We also need to look at impending global legislation and how that may have an impact on our contracts. This can range from a study of the potential implications on charter parties of autonomous ships to an impact assessment on the likelihood of delays and costs from increasingly stringent biofouling regulations.

Politically, we need to stay abreast of key issues affecting trade. We are in the process of revising our sanctions clause and designated entities clause to reflect changes in the sanctions environment. It’s a challenging task to ensure they are sufficiently robust to remain effective in a fluid sanctions environment.

Technology-wise, we potentially see the greatest changes of all to our industry. From a contractual perspective, it is essential that a suitable legal infrastructure is developed in parallel with technological innovation to support its global use.

No article about the industry’s future would be complete without mentioning the ubiquitous blockchain – an online communication protocol allowing all users the same access to information and without any user having more control over transactions than other users. It was much hyped in 2017, but we have yet to see any significant buy-in and transactions using the technology. Electronic bills of lading are perhaps an obvious target for its use. The technology exists to do this now but is being held back by several hurdles.

First, few jurisdictions have legislation that recognises an electronic bill of lading as an equivalent to a paper bill of lading (the United States is a rare exception). Changing national law is a slow process, but essential if an electronic bill of lading solution is to work internationally. The Rotterdam Rules offer a way to do this but will need widespread adoption to become effective.

Secondly, the banks play an essential role in handling bills of lading. They are often conservative, and many dislike the idea of the control of such a valuable document being handled by a third-party application. An electronic bill of lading is not a new concept, but the barriers that have prevented the widespread adoption of existing solutions are the same as those that will face blockchain solutions.

It is BIMCO’s role to help our members and the wider industry understand the implications of new legislation – as well as technology and the potential impact it may have on their contracts – so that they can make informed decisions.

Søren Larsen holds a Master of Law from Copenhagen University. He joined BIMCO in August 1985 and became Deputy Secretary General in 1999. Søren Larsen assumes overall responsibility for BIMCO’s documentary work and acts as a rapporteur to BIMCO’s Documentary Committee. Søren represents BIMCO in various international fora including UNCITRAL, ICC, CMI and ICMA. He is also responsible for the Documentary Committee relations with other international organisations such as FONASBA and ICS, and with various national law associations such as the Maritime Law Association of the United States.
Shipping KPI system relaunched
BIMCO relaunched the Shipping Key Performance Indicator (KPI) system. The BIMCO team has demonstrated Shipping KPI live to more than 500 industry people, and more than 200 new ships have since been registered for comparison. The total number of ships on the database now stands at more than 6,150.

IMO GHG Strategy
IMO agreed to an initial Green House Gas (GHG) Strategy, fully supported by BIMCO, which is both ambitious and in line with a joint-industry recommendation for target setting, cutting CO₂ emissions by 50% by 2050 compared to 2008. BIMCO finds the strategy to be ambitious but not beyond the realm of possibility. The final strategy is due to be adopted by 2023.

Software maintenance standard
Together with the Comité International Radio-Maritime (international association for radio and navigational equipment manufacturers), BIMCO sent the industry’s first proposal for an industry-wide standard for software maintenance to the ISO for approval of a new work item. This was approved, and the ISO process will follow a fast-track in order to issue the standard as soon as possible. The IMO has continuously been informed about the progress.

SmartCon launched
BIMCO launched its next generation contract editor – SmartCon – to replace IDEA. Since its launch, SmartCon has gained more than 350 companies as users. Up to November, SmartCon contained more than 80 of the most commonly used contracts.

New BIMCO Standard Bunker Contract
BIMCO has produced and published a new Standard Bunker Contract (Bunker Terms 2018) that, it is hoped, will lead to more harmonisation and fewer disputes between buyers and sellers. The Bunker Terms were drafted by representatives from across industries, including bunkers suppliers. It is a balanced set of terms designed to be fair to both buyers and sellers.

Maritime Reporting Model prototype
BIMCO’s prototype Maritime Reporting Model (MRM) aims to standardise communication between ships and shore and could reduce ship masters’ administrative workload for port calls by 80%. It was developed with several partners as a part of the EU-backed EfficienSea2 programme and was subsequently voted the best project of the programme. The MRM prototype has been presented to the International Organization for Standardization (ISO) to assist in the development of harmonised data model for maritime data exchanges.
BIMCO’s Shipping KPI can show users a range of interesting numbers. Shown here is the total 5-year actual running costs and accruals for 1179 bulk ships and 1363 container ships in comparison. This includes maintenance, repair, crewing, spares stores, management cost and for fee and lubricants. Registered users of the systems can dig deeper into the numbers, comparing individual segments for example. BIMCO does not have this access, as BIMCO owns no ships registered in Shipping KPI.

**Publication of a standard term sheet for syndicated ship financing**

BIMCO published a standard term sheet for syndicated ship financing (SHIPTERM S) – the first industry standard of its kind for syndicated loans. This enables shipowners to make comparisons between loan offers from banks much more easily.

**Sulphur 2020 bunker clauses**

BIMCO has developed clauses that deal with the initial challenges of the 2020 sulphur cap of 0.50%. The first two were published in December – one dealing with general compliance and a second focusing on the transitional period. More clauses will be published in 2019.

**Sulphur cap and carriage ban on non-compliant fuel**

The IMO-member states approved a carriage ban, from 1 March 2020, on fuel that is not compliant with the 0.50% sulphur cap. Collection of data on fuel oil non-availability and quality was also agreed to be an important element to ensure effective implementation of the regulations.

**Assisted in recovering USD $7 million for members**

During 2018, BIMCO helped recover around USD $7 million of undisputed claims for its members through the free to use BIMCO intervention service.

**BIMCO has big recovery year**

Recovered amounts through BIMCO’s intervention service of outstanding undisputed money owed to members for 2018 and the previous four years.
Security at sea

2018 was another busy year for Company Security Officers and seafarers. While Somali piracy was suppressed by effective ship protection measures and naval presence, the conflict in Yemen frequently spilled over to the Red Sea, directly affecting shipping. Piracy remained a challenge in other parts of the world too, particularly in the Gulf of Guinea and not least in the waters off the Bonny River, Nigeria.

**Yemen’s complex conflict**
The armed conflict in Yemen has been on and off since 2004 and involves three groupings: the Yemeni government, which is primarily Sunni and supported by a coalition of Arab countries led by Saudi Arabia; the rebel group known as the Houthis, which in the 1990s grew out of the Shia Zaidi sect as an opposition to the Sunni-dominated government; and Al-Qaeda and Islamic State of Iraq and the Levant (ISIL, also known as ISIS).

Over time, the conflict has developed into a proxy war over the control of the region between the Saudi-led coalition and Iran, although Iran has officially denied any involvement. The chaos of war between the Houthis and the Saudi-led coalition has allowed ISIL to gain foothold in Yemen.

**Red Sea threat assessment – not a straightforward exercise**
As a result of the Yemen conflict, 2018 witnessed several security incidents at sea, and it was evident that ships with ties to the Saudi-led coalition were at particular risk. For Company Security Officers (CSOs), this meant the risk assessment of shipping activities in the area was not a straightforward exercise.

Fortunately, the shipping industry was helped by the military intelligence community in the form of industry-releasable threat bulletins and threat assessments from the European Union’s Maritime Security Centre – Horn of Africa (MSCHOA) and the US-led Combined Maritime Forces (CMF).

This military intelligence allowed CSOs to get a better overview of the risks associated with shipping operations in the Red Sea.

It was a source of concern when reports emerged in May 2018 that a vessel had been attacked by a water-borne improvised explosive device – WBIED. In the past, terrorists have relied on on-scene human involvement to carry out attacks and with the introduction of WBIED in the Red Sea, the risk/reward calculation has shifted significantly in favour of the terrorist.

**Somali piracy still a threat**
During the last few years, Somali piracy has been effectively suppressed by ship protection measures (not least armed guards), naval presence and a general sentiment against piracy among Somali communities; 2018 was no different. Despite this, two likely pirate attacks have taken place off Somalia. Both bore

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“**For the foreseeable future, shipowners and navies will have to continue their efforts to suppress the threat of piracy. Complacency can quickly change the current fragile security equilibrium**”

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**Red Sea threat assessment – not a straightforward exercise**

- **3 April 2018, off al Hudaydah:** The 303,000 DWT Saudi flagged crude oil tanker Abqaiq was attacked by an unspecified projectile.
- **10 May 2018, off al Hudaydah:** The 53,000 DWT Turkish flagged bulk carrier Ince Inebolu was attacked, likely by a missile or airstrike.
- **23 May 2018, off al Hudaydah:** Two or three water-borne improvised explosive devices were destroyed by naval forces.
- **3 June 2018, off al Hudaydah:** The offshore support vessel Vos Theia was attacked by a skiff with four persons on board. The attack was likely related to the Yemen conflict.
- **24 July 2018, off al Hudaydah:** The 314,000 DWT Saudi flagged crude oil tanker Arsan was attacked by a water-borne improvised explosive device (WBIED) and was damaged in the stern.
- **4 July 2018, off Hanish Islands:** The 36,000 DWT Greek flagged bulk carrier Chios Freedom was attacked by a skiff with 7-8 persons on board. The skiff was successfully defended by armed guards on board.
- **August-September 2018, off Jizan Saudi Arabia:** Saudi coalition warships claim to destroy several water-borne improvised explosive devices in three separate attacks against military installations in the port of Jizan, Saudi Arabia.
a resemblance to strikes previously made by Somali pirates and were assessed by EU’s Maritime Security Centre Horn of Africa to be likely pirate attacks.

Recent incidents illustrate that, while the threat of Somali pirates has diminished, many of the root causes that allowed piracy to flourish between 2005 and 2012 are still very much present in Somalia.

For the foreseeable future, shipowners and navies will have to continue their efforts to suppress the threat of piracy. Complacency among shipowners and/or navies can quickly change the current fragile security equilibrium.

For shipowners in constant search of cost-savings, this situation will require a nuanced approach to security risk assessment, where detailed knowledge of the threat is a key parameter. As the threat may develop quickly, it would seem sensible for the industry to evaluate the risk more frequently. BIMCO is sounding out the possibility of establishing an industry risk board for exactly this purpose. An up-to-date threat assessment of the High Risk Area (HRA), based on the latest available information, would assist companies, masters and seafarers. It would help them identify areas where further risk-mitigating measures are needed. With more accurate assessments, the shipowner will be able to take informed, cost-conscious decisions about risk mitigation.

**Security in the Gulf of Guinea: chronic unease**

For many years, the threat of piracy in the Gulf of Guinea have been high. In 2018, the waters off the Bonny River in Nigeria again proved to be the number one piracy hotspot. For the first 10 months of 2018, this area alone accounted for 24 attacks against merchant shipping, and many took place outside territorial waters. To counter the threat, some ship operators opt to use privately operated, armed escort boats manned by navy personnel. In Nigeria, the use of these means is currently the only legal armed solution available. After a period of uncertainty and unclear enforcement of government policies, a ban on the embarkation of armed navy personnel in merchant ships was formalised by the Nigerian Navy in October 2017.

In February 2019, Nigeria will hold its general election for the parliament and the office of president. Historically, the period leading up to an election has seen a rise in the number of pirate attacks.

Improving security can unlock potential of blue economy

With the prospects of continued poor security in the Gulf of Guinea, it is tempting to look for alternative solutions to the problem. There is no doubt an international naval response would help the situation – a frigate with an armed helicopter stationed off the Bonny River outside Nigerian territorial waters could be immensely helpful.

The issue now is a lack of political appetite – regionally and internationally – to allow international navies to deploy and carry out anti-piracy operations. This is a pity. The current poor security situation creates uncertainty in the maritime domain and prevents the full potential of the blue economy – which includes responsible fisheries, oil exploitation, sea transport and even tourism – from being realised.

We can only hope that 2019 will inspire regional and international players to improve the security situation and allow the blue economy in the littoral states to flourish.

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Jakob P. Larsen joined BIMCO on 1 June 2018 as Head of Security and is in charge of all matters related to maritime security including piracy, drug smuggling, war, terrorism, stowaways, mixed mass migration and cyber security. In addition to maintaining a close dialogue with governments and international organizations, Jakob assists members with all aspects of maritime security. In 2010, holding the rank of Commander, Jakob left the Danish Navy to become Maritime Security Officer in BIMCO. In 2013, after three successful years, Jakob changed over to Nordic Tankers and over time became Head of HSSEQ. In 2015 Jakob went to Maersk Line to become Global Security & Marine QA Manager."
Global shipping scouts for future growth


Where do we go to find economic growth that spurs shipping demand in the next five years?

Where do we go to find economic growth that spurs shipping demand in the next five years? According to the International Monetary Fund (IMF), we should look towards emerging and developing countries. The IMF also points out that advanced economies’ growth is on a downward trend and has been so since the mid-2000s.

Such a development affects every shipping sector across the globe – in different ways, naturally. Dry bulk demand is supported by such a trend, whereas container shipping will see demand growth rates come under further pressure. Oil tankers may find it somewhat bittersweet, as demand generated in the East may be dented by a contraction in the West.

In the corridors, we find the ghost of the trade war impacting the entire shipping industry and so much more. Will 2019 see an unravelling of it?

Oil tankers facing more headwind

2018 has been a horrific year. Probably the worst ever. Crude-oil tanker operators have been particularly hard hit – the larger the ship, the lower the earnings. A market displaying those characteristics is truly in bad shape. October delivered a sudden reversal of beans as well. What remains certain is that China decides the destiny of the market, under heavy influence from the trade war with the US.

Dry Bulk – no fundamental market balance improvement in 2019

What are the main risks to this outlook? First is the shifting interest from imported iron ore towards scrap metal that we have seen over the past 1½ years from Chinese steel mills. This is a massive threat to the Capesize market. 2018 is a turning point in this matter, as Chinese seaborne imports are down year on year for the first 10 months of 2018.

Second, for the Handymax and Panamax sectors, the uncertainty is linked to the development of the trade war between the US and its main trading partners, chiefly China. Agri bulks have taken centre stage in 2018, and US soya bean exports star in a leading role – by being all but absent. Trading lanes change, and volumes are lost. It looks like a turning point for soya beans as well. What remains certain is that China decides the destiny of the market, under heavy influence from the trade war with the US.

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Real GDP growth by country group, year over year

Source: BIMCO, IMF, World Economic Outlook (October 2018)
Note: Grey area denotes projections.

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fortunes, but no fundamental market balance changes that fast. Rest assured that 2019 will prove to become a difficult year for the crude-oil shipping sector too – the icing on the cake being US sanctions on Iran. These impact not just the oil market but – to some extent – crude-oil tanker trade lanes.

A four-year, low fleet growth in 2018 cushioned some of the downfall of a weak demand side, but the aftermath of two years with a fleet growth of 5-6% proved too heavy to stem.

BIMCO believes the massive demolition activity seen in 2018 will not be repeated in 2019. We expect earnings to improve from the lows of 2018 and, as a result, owners will lose interest in selling ships for scrap. Fleet growth is expected to exceed 2%. The market improvements will come from increased demand from new refineries coming online in China and increased US exports. Combining the two demand drivers, we end up with a powerful cocktail that will benefit crude-oil tankers strongly. However, don’t bet the farm that this will happen.

When it comes to oil-product tankers, outlook is slightly more positive, but for different reasons. Low fleet growth has teed up the market for improved earnings in 2019 when compared with the lows of 2018. The market was bad, but not as bad as the crude-oil tanker market. One of the potential positive triggers in 2019 is likely to be distribution of IMO 2020-compliant fuels. To what extent this will boost the market depends highly on actual availability and production of fuels from the global refineries.

Container shipping: fleet growth takes centre stage

On the whole, 2018 turned out to be a disappointment, but it did have a few shiny moments. It was most impressive to watch inbound-loaded container imports on the US east coast grow by +8% on top of the 10.1% growth experienced in 2017. On the US west coast, volumes did not impress, but spot freight rates nevertheless hit a five-year high in October for the Shanghai to USWC trade lane.

Among the disappointments was the development of fleet growth. After two busy years, demolition interest evaporated completely in 2018 hitting a 10-year low. This caused fleet growth to rise higher than demand. The continued inflow of very large containerships onto the Far East to Europe trade lane meant cascading making a return to the stage.

Looking ahead to 2019, fleet growth takes centre stage when it comes to market fundamentals

Looking ahead to 2019, fleet growth takes centre stage when it comes to market fundamentals. If only judged by new-builds, it’s clearly positive, but remember, 700,000 TEU are idle in today’s market. If the lion’s share of that is reactivated – which it will be as soon freight rates just go up slightly – expectations may be reversed. Our hopes for a rise in demand are muted by the ongoing trade war and the GDP growth of the advanced economies.

Volume growth on long-distance trades will be more critical than ever, as fleet growth is focused to fit into them. Intra-Asian trades, where most containers of any other place are moved, will also suffer if the front-haul, transpacific cargo flow stays dented because of tariff walls on either side of the Pacific.

Will containers on rail continue to have growing significance? That will largely depend on a continued Chinese subsidy to support it. It’s not massive, but it certainly takes away much-needed volumes from the ocean.

Peter Sand is Chief Shipping Analyst at BIMCO. He has worked for Statistics Denmark, compiling public accounts and doing international statistical work in relation to the European Union and the United Nations. He then joined D/S NORDEN and gained experience in the fields of executive assistance, caretaking of investors and the art of transforming financial data and shipping statistics into analyses, presentations and reports. Later, Peter worked with CSR and he left D/S NORDEN as Senior Analyst and member of the Corporate Social Responsibility Board and joined BIMCO in 2009. He holds an MSc in Economics from the University of Copenhagen.
Everyone at BIMCO was asked to look ahead to 2019 and beyond and say what would be on their minds. These are some of their answers:

“Something close to my home - Brexit. Could this reshape shipping in Europe? If Europe were to implement a carbon tax, this could have the unintended consequence of moving north European shipping hubs to the UK. I’m sure this is the last thing European bureaucrats would want.”

Francy Mietkiewicz Kolos
BIMCO Port Information Manager

“As safe carriage of cargoes becomes increasingly complex, more rigid carriage requirements emerge, creating the need for accessible and relevant information. BIMCO has anticipated this need since 2003 and urges members to use BIMCO’s online cargo databases actively. BIMCO also wants members to report whether the carriage requirements in force are practicable and if they facilitate both the safe carriage of cargoes and the safety of the ship and its crew.”

Ai Cheng Foo-Nielsen
BIMCO Cargo Databases Manager

“The implementation, on a wider scale, of more stringent local environmental protection measures and ports planning for sustainability is increasing. This includes the introduction of port-call optimisation applications. This entails access to updated information on port information and port requirements and BIMCO utilising local contacts for information not readily available.”

Angus Frew
Secretary General and CEO

“Shipping leaders try to use new technologies, big data, and their position in the market to get more market share. I think, for those who are not listening to the market and the movements, they could be in for a tough year when you consider charter parties, cyber security challenges and the 2020 sulphur cap.”

Casper Broustbo
SmartCon Product Manager
We need more openness. Shipowners need to go public and talk about how much they have contributed to reducing greenhouse gases. Much has been achieved, but we need to make the results more visible to the world.

Aron Sørensen
Head of Maritime Technology and Regulation

Chinese iron ore imports are the usual mega-driver for dry bulk shipping demand, but Chinese imports of iron ore, are disappointing this year. And they may be again in 2019, if the trend of using more scrap metal as an ingredient in steel production continues upwards.

Peter Sand
BIMCO Chief Shipping Analyst

The offshore wind installation area is booming and is a major business area for a number of our members. The area does not yet have its own contracts. Therefore, training in using other contracts that might be suitable is needed.

Peter Grube
BIMCO Head of Training

Requirements and request for monitoring and reporting of how ships are performing is growing, especially in areas such as the environment, health and safety, human resources, safety of navigation and port state control. Becoming an active user of the BIMCO Shipping KPI gives easy access to a unique platform that enables the user to generate reports on performance and continuously monitor ships and fleet performance.

Vy Le
Junior Assistant, BIMCO Shipping KPI

So much data is being collected 24/7. How do we identify essential data and maximise its efficient use – for instance standardisation of data terminology to ensure global compatibility across maritime industry sectors? Let’s hope there will be an answer soon.

Elizabeth Ahlefeldt-Laurvig-Lehn
PA to Deputy Secretary General

I think we should look more into ship finance-related standard documents. A possible project suggested by several finance people is a standard sale and lease-back term sheet. It would fit neatly with the other term sheets we have, and it would have great potential because of the prevalence of such transactions, especially in the Far East.

Christian Hoppe
General Counsel