

The BIMCO logo is positioned in the top right corner. It features the word "BIMCO" in a bold, blue, sans-serif font. A thin blue horizontal line is positioned above the letters "I" and "M".

BIMCO

The title "REFLECTIONS 2020" is located at the bottom of the page. "REFLECTIONS" is written in a large, bold, blue, sans-serif font. "2020" is written in a smaller, bold, white, sans-serif font, positioned to the right of "REFLECTIONS". The background of the entire page is a blurred image of a ship's hull and waves, with a blue geometric shape in the top right corner.

REFLECTIONS
REFLECTIONS 2020



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President's foreword

It is hard to predict what 2020 will be known for in shipping circles. Disruption? Disaster? Or hopefully a smooth implementation of the sulphur rules, and therefore relief?

This year has been one of preparation and uncertainty. Shipowners have spent much time and energy to understand how the sulphur regulations will impact their businesses and to prepare their people and ships. Even now, in December, questions remain unanswered, such as: how will these rules be enforced? At the same time, current geopolitics increase uncertainty, creating additional anxiety in the market.

No matter what happens in 2020, I hope the process of drafting and implementing the sulphur regulations will lead to reflection about how we best implement change in the future? The environmental agenda alone dictates there will be massive change to come that we must embrace.

Consumers will demand greener solutions. The global trend has already pushed French and UK politicians to vow to be carbon-neutral by 2050. I'm not sure that will be soon enough for the Millennials and Generation Z, and I think we will see more radical demands made in the next few years. I hope the bright young people entering our schools and universities today, with their minds focused on climate change, will accelerate technological change towards sustainable solutions. Because, we will need solutions.

Solving issues around hull fouling, plastic waste, underwater noise and sulphur are essential, but none will be more difficult or vital to our future than reducing CO₂ emissions. Given the lifespan of a ship, we must get going if we are to reach our long-term goal for a 50% emission cut by 2050.

At BIMCO, we are already deeply engaged in the conversation on how to reduce CO₂ emissions. For example, we proposed regulating engine power on ships to reduce emissions in the short term. Our ideas will be merged with proposals from others during 2020, and, hopefully, the outcome will immediately limit our current emissions.

We are also spending significant resources to create the best possible framework for the industry to reduce its emissions in partnership with a number of other organisations. We will propose our views on how a research and development programme should be designed and paid for. Investments in technology are imperative – but we must be focused in our approach.

Our industry needs leaders to step up. Some have. Others must follow. If we don't demonstrate significant and real steps towards the 50% reductions over the next few years, "solutions" will be thrust upon us by a world that demands change – solutions we may well not like.

We have to act more swiftly and decisively. The many debates at the IMO, at conferences and forums must turn into action and solutions.

My coming year will be about taking action and joining up with other leaders who are ready to act to change the industry.

Şadan Kaptanoğlu
President of BIMCO



Air pollution agenda to continue

Is 2020 the end of regulation of sulphur content in marine fuel? Not necessarily, but any further strengthening will be easier to implement, as the industry will have made the big step away from heavy fuel oil.

Shipping is on a long journey to reduce its environmental footprint from air pollutants, most notably sulphur emissions. It started out in the early 1990s with the creation of MARPOL Annex VI on air pollution prevention. Gradually over the past 15 years, the limits have been tightened and we are now facing the last hurdle – to reduce sulphur content in marine fuel to maximum 0.50% from 1 January 2020.

In our view, the reduction of air pollutants will be addressed continuously, as it is an important aspect of the shipping industry's licence to operate. However, we believe it will be addressed differently in the future as the industry embarks on the other important task of decarbonising.

Fossil fuel use to drop

The pathway to the decarbonisation of shipping will likely be one of decreasing use of fossil fuel. It seems unlikely that ships will continue to use oil as an energy source, because the carbon content in these fuels makes it impossible to reach the International Maritime Organization (IMO) 2050 target of reducing GHG emissions by 50% compared with 2008. The only alternative is that ships employ some form of carbon capture and storage (CCS) technology, but current techniques are

simply not feasible for large-scale use in ships.

This means that transition to increasingly higher hydrogen content fuel is likely to replace the current dependence on oil.

Moving to new low or zero-carbon fuels means a different and smaller air pollution footprint. But the transition will only happen if the new fuels become available on a large-scale and worldwide basis, but this is not a given.

The shipping industry will, therefore, have to depend on research and development with the specific aim of delivering the necessary solutions. With industry colleagues, BIMCO has drafted a proposal to the IMO for establishment of a global research and development fund to facilitate substantial and sustained development of decarbonisation solutions that work on transoceanic ships. The proposal will be discussed by the IMO member states in 2020.

“It seems unlikely that ships will continue to use oil as an energy source”

While decarbonising the shipping industry is the ultimate goal, it is important how we get there.

Short term measures are important

The 2050 objective of a 50% reduction in emissions is but a single step on the journey towards full decarbonisation. The IMO has deliberately not agreed a carbon budget for the shipping industry, but this should not make us complacent. The aggregated amount of greenhouse gases (GHG) the industry emits on its way to full decarbonisation should be as low as possible and every ton emitted counts.



That is why short-term measures to address emissions reductions from the current fleet remain important. We should not simply wait for the present fleet to reach its end of life or just concentrate on the new highly efficient fleet we will need to build.

BIMCO has suggested a way to limit the present fleet's ability to speed up. This move would shackle its latent emissions potential and prevent it from destroying the gains already made since 2008 –substantial gains that amount to more than 30% reductions on a gram CO₂ per ton*mile basis and more than 10% in absolute terms.

It is, therefore, not a question of if the shipping industry will meet the IMO 2030 objective of achieving 40% carbon efficiency improvements over 2008, but about what the target should be increased to in 2023 when the IMO adopts its final GHG reduction strategy.

Energy efficiency matters – now and for the foreseeable future – no matter where the energy comes from or how much GHG is associated with its use. Today, it matters because it makes financial sense and because it reduces carbon emissions. In future, it will matter because new low and zero-carbon fuels will be more expensive compared with the fuels of today, and lower consumption will mean less of a premium to be paid.

Regulate clean hulls

One way to ensure the efficiency of a ship remains high is by avoiding bio fouling of the underwater hull, which adds drag

and means more power is needed to propel the ship through the water. Bio fouling is also a vector for the spread of invasive species and we are already seeing local regulatory initiatives to combat this. For both reasons, it is highly undesirable.

BIMCO has begun a project to develop an international standard for ship underwater hull cleaning. Equipped with such a standard, and a way to certify hull cleaners meet it, the shipping industry should be prepared to accept global regulations requiring clean hulls on ships. However, such regulations could only be enacted if coastal states are prepared to allow certified hull cleaning to take place in their waters.

“ Every ton emitted counts ”

We must standardise data

Energy efficiency is also about making voyages between ports using as little energy as possible. It is about converting waiting time currently spent outside ports into sailing time between them. We see an untapped potential in this area that could come into effect at very low cost. But it needs the active participation of ports, and it requires a more dynamic and timely exchange of information between ships and ports.

BIMCO has been a key driver for the standardisation of data elements at IMO. Such standardisation is a must before the exchange of data can be automated and embedded in digital equipment and services. Digitalisation is often mentioned as a vehicle for decarbonisation, and it can be. Therefore, we must work hard to engage the port and solution providers in this important area to build the foundation for this efficiency gain.

Over the years, the regulatory pressures on shipping activities have increased with ever more demanding requirements on equipment and operations. This is unlikely to change during the next decade, and we can expect continued scrutiny by authorities and more and tighter rules to govern how ship operations should be executed. In the coming years, BIMCO will continue to work towards practical rules that facilitate positive change.



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.

Low-carbon economy drives contract development

Reducing harmful emissions to try to reverse climate change has become an irreversible trend. Shipping is viewed by many big businesses as “low-hanging fruit” when it comes to meeting corporate carbon emission targets. This trend is also very much a contractual issue.

Future trends are focused on sustainable shipping, innovation, efficiency, renewability and agility. But to be effective, all these policies and activities need, at some point, to be translated into contractual agreements. Harmonisation is a key factor in this process, and it is where BIMCO’s standard contracts and clauses have a major role to play.

BIMCO to harmonise LNG bunker terms

Towards the end of 2019, Australia’s mining conglomerate BHP announced plans to cut its shipping emissions by up to a quarter by transporting 10% of its iron ore shipments using LNG-fuelled ships. In September 2019, CMA-CGM launched the 23,000 TEU Jacques Saade, the world’s largest LNG-fuelled container ship and the first in a fleet of nine LNG-powered container ships for the company. Similar moves to LNG are happening in the cruise, ferry and offshore industry.

These initiatives have prompted BIMCO to begin developing a set of standard terms and conditions for buying LNG bunkers. Although LNG is currently bought on a long-term contract basis, we believe that, as it becomes an increasingly common alternative fuel, a spot market

will emerge that will benefit from harmonised terms.

“Although LNG is currently bought on a long-term contract basis, we believe that a spot market will emerge that will benefit from harmonised terms”

Growth in renewables spur revisions

An intrinsic part of the campaign to reduce emissions is the increasing reliance on renewable energy sources. Offshore wind has become the primary renewable energy source in many countries. In the UK, offshore wind farms generated more electricity than fossil fuels for the first time in 2019. In Denmark, one-third of electricity produced comes from wind farms.

Renewable energy companies are increasingly looking further afield to build ever-larger wind farms. In the early days of the industry, wind turbines were fixed to the seabed in shallow waters close to

the coast. Operators are now moving into deeper waters, using floating wind turbines tethered to the seabed.

The installation and maintenance of these turbines relies on the services of marine contractors using BIMCO forms specially designed for the offshore sector. Ocean-going tugs and unmanned barges are the basic installation tools for this sector and are commonly hired using BIMCO’s TOWCON and TOWHIRE agreements, and the BARGEHIRE charter party. All three are currently being revised to ensure they stay relevant to the changing needs of the offshore community.

Service and maintenance personnel are transported to wind turbine installations from offshore accommodation ships using small launches referred to as crew transport vessels (CTVs). BIMCO has the WINDTIME charter party for hiring CTVs and this will soon be joined by an Accommodation Support Vessel Charter Party – ASVTIME – designed for the ships that provide a range of services during installation and other offshore work, as well as accommodation.

Decommissioning is a growth industry

The Vindeby Offshore Wind Farm, built in 1991, was the world’s first offshore wind farm. It also became the first to be decommissioned in 2017 when it became economically unviable.

The sustainability of offshore wind as a major renewable energy source is dependent on continual technological innovation. New wind turbines have a greater capacity to generate electricity but require larger blades and taller towers. As new wind farms are built so the older ones, such as Vindeby, will be decommissioned.

In total, the offshore decommissioning market – covering both older windfarms and the oil sector – is expected to grow to 9.5 billion USD by 2027, according to one report.

BIMCO has developed the DISMANTLECON offshore structure dismantling contract to meet the demand for a flexible and scalable marine services contract for decommissioning that can be used for all or part of a decommissioning project in the renewables and oil and gas sectors.

Sea traffic management schemes

Major ports around the world are looking closely at ways of reducing their carbon footprint by managing the arrival times of ships to minimise time spent in the port area. They use techniques such as cold ironing – providing ships with a shore electricity supply when alongside to reduce emissions from on-board generators – and sea-traffic management schemes to regulate the speed of a ship so it arrives in port at a specific time to avoid waiting.

Such schemes rely on the key stakeholders in a shipping operation – owners, charterers, shippers,

“ We foresee increasing pressure from large charterers for owners to agree clauses that oblige them to comply with corporate carbon reduction policies ”

receivers, port authorities, agents, pilots, and terminals – working in harmony by sharing information to optimise a ship’s visit to a port.

At the charter party level, it is essential owners and charterers agree the conditions governing the adjustment of a ship’s speed and allocate responsibility for any costs that result from additional time used if the ship reduces speed. BIMCO has several clauses dealing with reductions in speed, and so-called “virtual arrival” that can form part of a strategic plan to reduce emissions for environmental purposes (BIMCO is also working on digital standards to facilitate communication between the ship and shore-side).

We foresee increasing pressure from large charterers, driven by the environmental concerns of investors and shareholders, for owners to agree clauses that oblige them to comply with corporate carbon reduction policies. BIMCO will work with stakeholders to ensure clauses are developed that do not place onerous or impractical obligations on shipowners.

Future trends in the shipping industry are likely to be dominated by the climate-change agenda and driven by big business. BIMCO is an agile organisation that will continue its work developing timely contractual solutions to assist the industry adapt to a low-carbon economy and supporting the services used to build essential infrastructure.



Grant Hunter is BIMCO’s Head of Contracts and Clauses, responsible for overseeing the development, revision and promotion of BIMCO’s wide range of internationally used standard contracts and clauses. He has worked in the shipping industry for 40 years.

Grant’s career in the shipping industry spans over 40 years beginning as a deck cadet with Scottish shipping company the Ben Line Steamers Ltd, followed by eight years working ashore in the commercial and operations department of P&O Bulk Shipping in London. He has worked for BIMCO since 1997.

Three major maritime security threats in 2020

The future maritime security agenda at sea is likely to be dominated by the same three major issues as in 2019: Nigerian piracy, conflict around the Persian Gulf and large-scale drug smuggling. Resolution of any in 2020 seems unlikely.

Turn-around in Nigeria?

In 2020, BIMCO will continue to press Nigeria and the international community to act decisively against piracy in the Gulf of Guinea. The problem could – in my view – easily be solved if Nigeria and international partners could agree to make a serious effort.

BIMCO took the discussion about the issue to a new level in 2019. We urged the creation of international navies and, during interviews, meetings and conferences (for example, at the International Maritime Organization in London) we criticised Nigeria for doing little to solve the problem.

Piracy has been a problem in Nigeria for decades. It affects seafarers and shipowners from all over the world, as well as the local population. It is estimated that 60-70% of all piracy incidents in the Gulf of Guinea originate from the country.

The No1 trouble spot is off the Niger Delta, where the offshore support industry and traffic in and out of the strategic waterway of Bonny River generates an environment full of potential targets. In the delta, poverty and massive environmental problems give plenty of incentive for the local population to seek its fortune in piracy, employed by pirate kingpins. The peculiar governance practices around

“A positive step is that piracy has finally been made a punishable crime in Nigeria”

law enforcement are something I believe should be changed. In Nigeria, protection services at sea are offered for sale by businessmen in joint ventures with the country's Navy. While there is no publicly available evidence to suggest that profits generated by selling protection services are preventing effective law enforcement, it is counterproductive; the poorer the security situation, the higher demand for protection services, the better the profits.

A positive step is that piracy has finally been made a punishable crime in Nigeria. Furthermore, the country is in the process of ramping-up a wide range of maritime security capabilities

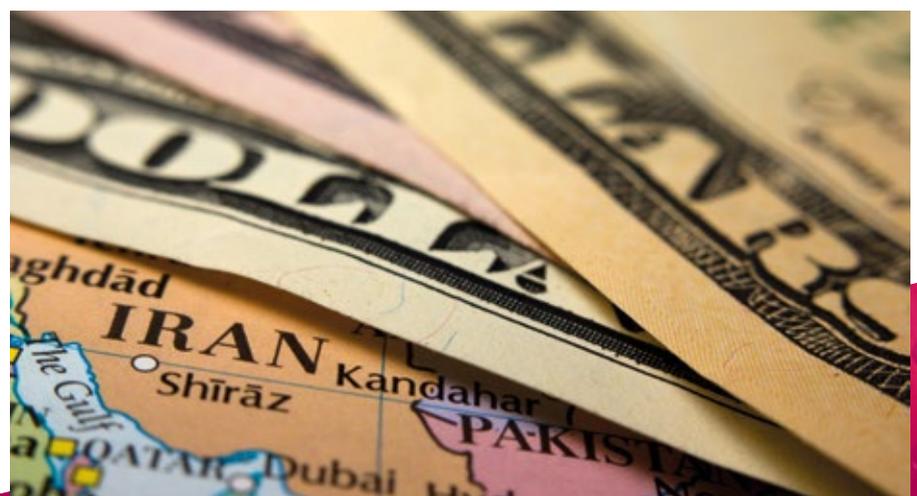
through a project called “Deep Blue”. High-ranking Nigerian officials have expressed a hope that implementation of the scheme will see the end to piracy off Nigeria during 2020. I have my doubts that it will be that effective, but we can hope it results in a definite drop in attacks. The project will only be a success if the security situation improves significantly.

US and Iran on collision course

Since the US withdrawal from the nuclear agreement and implementation of maximum pressure policies on Iran, international shipping has faced the threat of attack in the Strait of Hormuz and Gulf of Oman.

Following incidents in May and June, the US has built a coalition to maintain a presence and carry out surveillance in the area off Iran and in the Southern Red Sea (where Iran-backed Houthi rebels operate from Yemen). The sole mandate of the International Maritime Security Construct (IMSC) is self-defence. In the event of a security incident, IMSC partners can defend shipping under the concept of extended self-defence.

It is apparent there is no intention of defending ships flying flags of non-IMSC participants, although it is assumed that such vessels operating with



IMSC-participating countries' nationals on board will also enjoy protection.

The IMSC now consists of seven countries (US, UK, AUS, Saudi Arabia, UAE, Bahrain, Albania). Major naval powers including France, Spain, Italy and Germany have refused to join the coalition because of disagreements over the US withdrawal from the nuclear deal with Iran and subsequent maximum pressure policy.

During 2019, BIMCO has advised shipping passing through the area to continue following the long-standing reporting regime established by UK Maritime Trade Operations in connection with Somali piracy. It is in the interests of international shipping that the IMSC has the best possible picture of maritime activities in the area. The better its knowledge, the better chance it has of preventing further attacks.

Drugs smuggling makes comeback as a risk to shipowners

Cocaine production is reported by analysts to be on the rise, and 2019 saw some spectacular drug seizures by US Customs and Border Protection (CBP), all of which has put it back on the shipping agenda.

In Philadelphia, a cargo of around 17 tons of the drug was discovered. The incident was yet another example of how the smuggling of narcotics is increasingly having an impact on the shipping industry, bringing with it the risk of arrest, detention and prolonged customs procedures.

Back in the 1980s, when drug smuggling was also a big issue, US Customs ran several so-called Carrier Initiative Programs – voluntary drug smuggling prevention schemes for shipowners; one such was the Sea Carrier Initiative Agreement (SCIA).

BIMCO had a special version of this agreement with US Customs, whereby BIMCO could sign up members who would, in exchange, receive mitigation of smuggling-related fines, if they had taken the required measures to prevent drugs from being smuggled on board.

“The smuggling of narcotics is increasingly having an impact on the shipping industry, bringing with it the risk of arrest, detention and prolonged customs procedures”

After the terrorist attacks of 9-11, focus shifted to terrorism, and CBP began the supply chain security initiative, the Customs-Trade Partnership Against Terrorism (C-TPAT).

As a result, the SCIA was gradually depleted, and in December 2019 BIMCO received confirmation that it was no longer being funded. At the same time, CBP expressed an ambition to strengthen cooperation with BIMCO with the aim of developing further guidelines for how to protect against drug smuggling and carry out security vetting of crew members.

While prospects are good for further cooperation with CBP, it remains a concern that the only security initiative in place is C-TPAT, because it is designed mainly for large companies and requires an office in the United States.

In 2020, BIMCO has an ambition to develop a solution with CBP to allow firms without a US office to become C-TPAT members and enjoy some of the same benefits such as mitigation of drug-related fines and priority treatment by customs.



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.

photo credit (background top & bottom): Royal Navy, Crown Copyright, HMS Lancaster enters the Port of Lagos, Nigeria

10 important B

BIMCO launches publications business area

Since March, BIMCO has published four books in conjunction with Witherby Publishing, including the successful *Ship Master's Security Manual*, the *Ice Navigation and Seamanship Handbook* and the *Cyber Security Workbook for On Board Ship Use*.

Reduction of "High Risk Area"

BIMCO announces the reduction of the High Risk Area in the Indian Ocean to reflect the current industry experience, pirate intent and capability. The announcement was made within the Round Table of International Shipping Associations and the Oil Companies International Marine Forum.

New Cyber Security Clause

BIMCO publishes a standard clause that requires parties to implement cyber security procedures and systems to help reduce the risk of incident.

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

Şadan Kaptanoğlu elected President

BIMCO's new president – Şadan Kaptanoğlu, managing director of HI Kaptanoglu Shipping – is elected at the general meeting in Athens, Greece. Sabrina Chao, of Wah Kwong, Hong Kong, is elected President Designate.



In 2019 BIMCO book sales quadrupled to

250,000 EUR

and SmartCon/IDEA revenues topped

1,000,000 EUR

for the second time.

“It has been a multi-year strategy to make BIMCO less reliant on membership fees. The turnover in publications, SmartCon and Training shows that strategy is working.”

Angus Frew,
Secretary General & CEO, BIMCO

Updated Hull Fouling Clause

The widely used Hull Fouling Clause for Time Charter Parties is updated to set out more clearly the circumstances and the point when responsibility for hull cleaning passes from owner to time charterer.

BIMCO milestones for 2019

58%

of the world's tonnage is operated by a **BIMCO member** a new record

ISO amends standard on data exchange

Based on a BIMCO initiative, ISO accepts the need to amend the specific standard on data exchange frequently, instead of the current five-year cycle, to improve communication between ships and shore.

Harmonised data proposal

The International Maritime Organization (IMO) Expert Group on Data Modelling positively receives two BIMCO proposals on Just-In-Time and Maritime Health Declaration data sets. Both will be included in the IMO reference data model, following approval by the Facilitation Committee (FAL) in April 2020.

BIMCO opens Athens office

BIMCO opens its first office in Athens, to have a closer dialogue with existing and potential members and to increase its activity levels in one of shipping's capitals.

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

First decommissioning contract

BIMCO publishes the industry's first global standard contract designed for the dismantling and removal of offshore structures in the energy sector. It is designed to appeal equally to the party requiring removal of the structure and the marine contractors whose services are used.

Social media followers:

 **6,900**

 **30,000**

 **18,600**

Launch of digital holiday calendar

The BIMCO holiday calendar has been revamped, and the digital version is now more accurate and user-friendly than ever. It also offers the use of an application programming interface (API), which means it can be integrated into other software and web applications.

Supply and demand trending off-balance

One of the most worrying trends that has developed recently – which will affect shipping demand in the years to come – is the falling trade-to-GDP ratio. The drop can be explained by slowing globalisation, as well as increasingly protectionist measures being implemented around the world, spearheaded by the US. The raised barriers to trade are here to stay as we enter a new decade, with the shipping industry stuck with the consequences.

The trade war is the clearest example of these extra barriers to trade, and although a phase 1 deal was reached in December, the most difficult issues have yet to be addressed, and BIMCO therefore expects the trade war to continue to plague shipping between the US and China in 2020. Unfortunately, the US and China are not the only ones engaging in tariff wars: the EU also faces additional levies from the US and we are seeing trade tensions develop between Japan and South Korea.

The effects of the worsening of the fundamental shipping market balances this year will continue to be felt in 2020, as the balance is not reset to zero when the calendar year changes. BIMCO continues to warn that the worsening balance between the supply of ships and demand will be detrimental to shipowners' ability to pass on the additional costs associated with compliance of the new IMO 2020 Sulphur Cap. It will depend on the freight rates to what extent additional costs can be recovered as these too are affected by market conditions; the better the market, the easier it is to pass on costs.

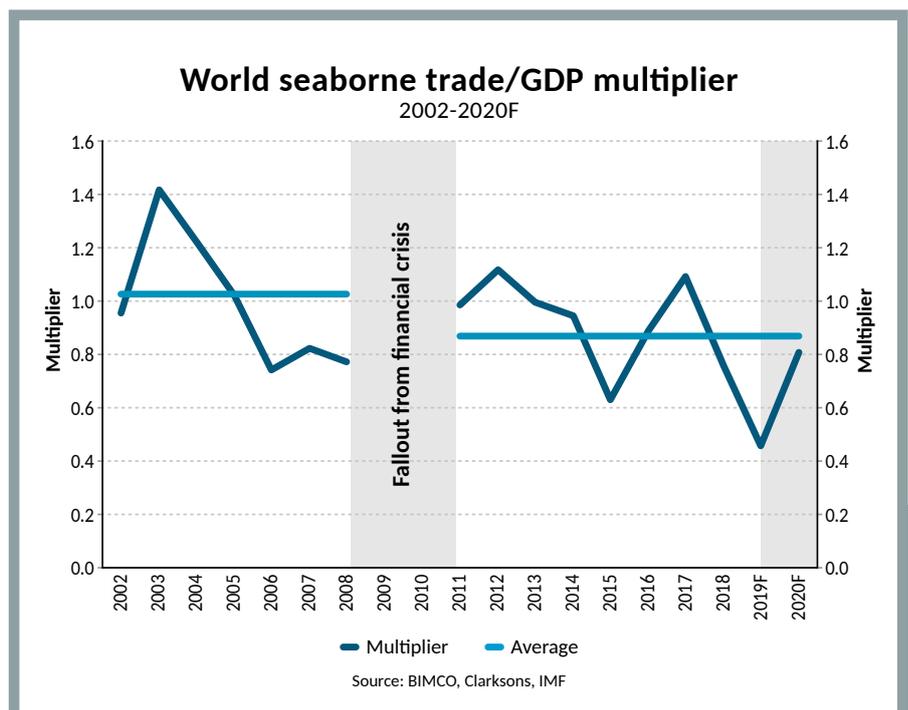
“ Going into 2020, the fundamentals remain unchanged ”

Dry bulk shipping

The biggest concern for Capesize shipping in 2020 is the trend in China, where iron ore imports may fall for a third year in a row. The structural change in China's steel production – using scrap steel in favour of imported iron ore – means that Chinese demand for iron ore can no longer be counted on to raise demand for Capesize ships, with imports having peaked in 2017.

For the dry bulk shipping industry, there is more bad news from China. Its soya bean imports have become an important part of the trade war and how it is viewed. But even aside from the trade war, the outlook for soya bean trades into China are weak. Demand will be considerably lower because of the largest-ever culling of pigs, which consume most of China's soya bean imports. It will take years for the Chinese pig population to return to pre-cull levels and, even then, lowering the soya content in pigs' feed will have lasting consequences on these trades.

The high fleet growth in 2019 (4.1%) will continue to play out into 2020 when it is also expected to grow by more than demand. The cumulative impact of these growth rates mean the gap between demand for shipping and supply of ships will continue to widen, putting pressure on freight rates throughout the year.



Tanker shipping

Crude oil tankers hit the headlines in 2019 because of geopolitical developments and the resulting record levels of freight rates; going into 2020, the fundamentals remain unchanged.

As a result, after the seasonal boost fades away in the first quarter, the high freight rates in the Very Large Crude Carrier-market are likely to disappear. This is because the market fundamentals worsened in 2019, with an eight-year-high fleet growth of 6.3%.

Fleet growth has also been high in the oil-product tanker market, with many owners hoping to benefit from the IMO 2020 Sulphur Cap and the boost that BIMCO expects it will bring to the oil-product tanker shipping industry. The boost is on the back of new trades for the transport of compliant bunker fuels from the refineries to bunkering ports.

While this boost will improve tanker earnings in the first three-to-six months of 2020, once the short-term boost fades away, the challenge facing the market will be that the new ships will still be around and vying for cargoes in an already over-supplied market.

A major development expected in 2020 is for the US to become an annual net exporter of crude oil. The increasing proportion of global crude oil exports coming from the US is good news for the tanker industry as it involves longer sailing distances to the Far East, where the major importers are,

compared to exports from the Middle East.

Container shipping

Imports of laden containers to the US West Coast declined in 2019 – the first time since 2011. There has been no visible frontloading of goods in 2019 and, with further tariffs having been narrowly avoided in December, BIMCO does not expect any frontloading boost to come in 2020. Rather, the trade war, as it currently stands, will continue to drag down trade volumes and freight rates.

Intra-Asian volumes remained flat in 2019 compared with 2018 – a worrying trend, because without volume growth here, volumes on the longer haul routes out of Asia are unlikely to grow. Furthermore, global container shipping demand grew by just 1% in the first nine months of the year, a development which sparked a flurry of blanked sailings. Over the same period, the fleet has grown by 3.7%. The supply and demand situation is clearly set to be way off-balance.

We will also continue to see many deliveries of ultra-large container ships (ULCS), sending relatively smaller ships onto other routes, an effect known as cascading. These smaller ships are not necessarily particularly small, however. Some have capacities of more than 10,000 TEU and will enter trades where there is no appetite for them, adding further pressure to freight rates and bottom lines.

The trade multiplier could – in theory – return to healthier levels if protectionist measures are rolled

“ Intra-Asian volumes remained flat in 2019 compared with 2018 – a worrying trend ”

back and free trade is once again allowed to develop at its natural pace. This would be good news for shipping.

Although the trade tensions are being led by the current US White House at the moment, they would not necessarily be turned around should the presidency change hands in November.



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.

On the ground with BIMCO

Watch Asia's financing scene in 2020

Today, the Asian shipowners represent almost half of the world fleet with great potential. The Asian trade, fleet, seafarers and financing capital are now all very important elements of the international shipping industry.

Technology and regulation are clearly the drivers for the future shipping industry. And, to be honest, Asia seems not to be at the forefront of those key areas, at least for the time being. Nevertheless, the Asian capitals are full of buzzworthy developments.

Take note of finance and tech

Notably, China is bridging the gap as western shipping investments are

taking a downturn. I would forecast that the Chinese policy banks and lessors will keep the momentum to pour more capital into the shipping community. Why? China simply has too much "hot money" within China where they need to invest abroad and would like to support the Chinese yards, and secondly, Chinese financial packages are too attractive to ignore by many shipowners. The Chinese fleet also needs to be upgraded amid stricter maritime regulation such as domestic emission control area. This may not be good news to the shipping industry where we are suffering from overcapacity.

If we look at the roadmap for China's Belt and Road Initiative (BRI), and taking the impressive ships and ports' asset investment into account, it is not hard to predict the BRI will impact the shipping world from Asia and across the world. For instance, we see a small chunk of containers now are carried by train to the Europe instead of conventional sea-borne carriage, and the Yamal LNG projects, the Sino-Burmese pipelines and other BRI related projects is impacting - and will impact - the energy shipping lanes.

For 2020, we are excited to see that many cutting-edge technologies

are being experimented with in the Asian shipping industry, particularly, in Singapore, Hong Kong, Tokyo and Shanghai. With sound research and development funding, as well as abundant talents, Asia is very likely to take off in terms of shipping innovation.

BIMCO and Asia in 2020

In 2020, we are committed to spreading our successful BIMCO Asia Advisory Panel (BAAP) from Singapore and Hong Kong to other Asian maritime clusters, such as Shanghai and Tokyo.

We will focus on dedicated roadshows and seminars at different cities in Asia to ensure a productive interaction with our members, in favour of being present at all the major maritime conferences.

When it comes to the very topical maritime regulations, we will try to organise different web-meetings to share our thinking and practical advice.

I've been pleased to see that more projects are initiated and led by our Asian members. For instance, the LNG purchase contract for fuel project and Ship Sale and Leaseback project are long-awaited in 2020. I hope we can continue that trend!



Wayne Wei Zhuang,
Regional Manager of Asia, BIMCO

Tell the shipping story!

Shipping's contribution to the economy and the environment is not widely recognized in Asia. In fact, the shipping industry is the cleanest and most economic transportation form, which many Asian national economies heavily rely on. Unfortunately, we are not good storytellers. We need to speak loudly, clearly and proudly to the public about our facts, photos and stories. By doing so, we will be able to attract more young talent and reduce the tainted "polluter" image. In Asia, doing this will have profound significance.

Human talent is needed to face disruption

It is not going to be business-as-usual for the maritime sector, especially when I look across Singapore and beyond to the rest of South East Asia. Opportunities and disruptions created by increased connectivity, digitalisation and, not least, new regulations, will reshape the industry.

Companies in this region with a traditional approach and business models will face disruption because of new maritime platforms, emerging technologies and digitalisation, and tighter environmental regulations will have an impact on the costs as well as operations.

The challenge is: how can we cope with the uncertainty, while remaining adaptable and competitive?

BIMCO members and other shipping companies in Singapore, supported by Maritime Port Authority of

Singapore (MPA), are clearly responding with high levels of activity and massive projects to ensure the city remains a shipping hub for the coming decades.

Looking more widely, I think the human element will be a key factor in constraining how the industry does business in the future.

Because of the magnitude of the growth and changes in the maritime industry, we must secure and develop talent to convert these challenges into opportunities.

Digitalisation and emerging technologies will transform existing maritime jobs, so attracting new talent with new skills and helping the existing staff to up-skill is paramount if we are to build a successful maritime workforce. New tech roles are being created and companies will need to differentiate themselves to attract the best and assemble the new generation in shipping.

MPA has established the Maritime



*Maite Bolivar Klarup,
General Manager, Singapore, BIMCO*

Cluster Fund, a manpower development programme, to co-fund training for more than 5,000 individuals each year and Earn-and-Learn Programmes to provide on-the-job training across our various shore-based and seafaring jobs. I think other countries in the region should follow their lead.

BIMCO will continue to be vocal in the shipping community in South East Asia. We will carry on our training activities and represent our members' interests on regulation and technology standards. I look forward to speaking to as many industry colleagues as possible in 2020.

More activities in Greece

BIMCO opened an office in Athens in June 2019. Greek shipowners make up the biggest group of BIMCO members and we are now very pleased to have a presence in Greece to allow much closer dialogue with them.

The focus of the Athens office in 2020 will be to make sure we visit all our

Greek members to discuss the issues they care about and to see how BIMCO could bring more value and support to them.

A primary concern is that shipping is changing a lot.

Because of the new emissions regulations on the horizon, it seems likely that Greek owners will limit their new shipbuilding orders in the future, as the increased cost and uncertainty about new regulation and technology confuses decision-making.

Digitalisation, technology and shipping education will be high on the agenda in the coming years. Shipowners must invest in crew education because of the new technologies and regulations; we need to fund shipping education in schools to make the sector more attractive; and we have to agree on emission-reducing technology.

There are currently around 600

shipowners or operators in Greece, with the overwhelming majority being of small and medium size with 1-10 ships. Most have weathered the storm of the past few years and – for the immediate future – look reasonably stable, but they are going to have to operate in an ever-more complex environment. I believe being a BIMCO member will become increasingly valuable to them.

At BIMCO, we are planning to increase the number of training and seminars we run in Athens. We also see interest in bespoke courses, where we bring in industry experts for a day to give thorough training in a particular topic to a company's employees.

Furthermore, we are planning to organise more forums with owner members to share expert knowledge and provide a platform where our members can gain insight into current shipping industry topics.



*Elena Tassioula,
General Manager, Greece, BIMCO*

7 wild predictions for 2020

BIMCO has invited seven industry experts to each come up with a wild prediction for the shipping sector in 2020. From a total ban on open-loop scrubbers to high-sulphur fuel oil disappearing from the global bunker market, the predictions are creative, a little on the wild side, quite unlikely to happen, and yet still within the realms of possibility.



“2020 will be a seismic year for bunker traders. The oil majors will take a bigger market share and, in the new low-sulphur fuel environment, buyers will seek to buy more directly from physical suppliers. Bunker traders’ working capital will come under strain because of the higher fuel prices, slower-paying (or failing) customers, and cash flows will be disrupted, because very low-sulphur fuel oil claims will lead customers to withhold payment. As a consequence, some bunker traders will fail, while others will downsize, rename or get acquired, or otherwise exit the market. By the end of 2020, we might see 20% fewer bunker trading companies than we have today.”

Paul Millar,
Head of Global Credit, Bomin Bunker Holding GmbH & Co.



“Swedish scientific research proves that zooplankton is seriously damaged by the effluent of open-loop scrubbers. The evidence is so compelling that many nations reconsider their position. Australia, South Africa, India, Brazil and Canada decide to ban them in their respective areas. In addition, demand rises, and ships speed up again. The International Maritime Organization, the European Community and the shipping community decide to take immediate measures. Consequently, slow steaming, through a power reduction programme, is adopted as an intermediate measure to reduce emissions.”

George Souravlas,
CEO, Load Line Marine



“The two biggest producers of scrubbers – Wärtsilä and Alfa Laval – will stop supplying scrubbers because of decreasing order intake, high cost, growth in the number of ports banning open-loop scrubbers, limited 380 high-sulphur fuel oil (HSFO) availability and low demand for it globally. As a result, the 380 HSFO segment will disappear from the global bunker market by the end of 2020.”

Sergey Ivanov,
Director, Marine Bunker Exchange, MABUX



“The Hong Kong Convention passes the threshold for ratification and comes into force. The EU, however, chooses to ignore it and continues with its own ship recycling regulation.”

Lars Robert Pedersen,
Deputy Secretary General, BIMCO



“The very ambitious Greenhouse Gas (GHG) objectives for shipping set by the International Maritime Organization (IMO) will improve the shipping market in the medium term, as newbuilding orders will be limited further in the coming years. This will be because of uncertainty about how to build a ship with a lifespan of around 25 years that is able to cope with future GHG requirements.”

Michael Lund,
Deputy Secretary General, BIMCO



“Driven by technological innovation, shipping is facing more challenges. Alibaba and Amazon – two of the most successful e-platforms – could bring a lift to the shipping industry. Imagine all shipping-related transactions are carried out via a trusted e-platform and that all stakeholders are visible in such an ecosystem, including shipbuilders, SNP buyers, ship managers, traders, voyage planners, ship insurers and P&I clubs, bunker supplies, spare parts providers, and even seafarers. It would be a revolution for the shipping industry, as cost and transparency would be significantly improved. While the technology is already available, invisible obstacles remain for now, but perhaps we will see these overcome in 2020.”

Wei Zhuang,
Regional Manager, Asia, BIMCO



“The EU decides to start the process of imposing a complete ban on open-loop scrubbers, creating fresh turmoil in an already stressed shipping market.”

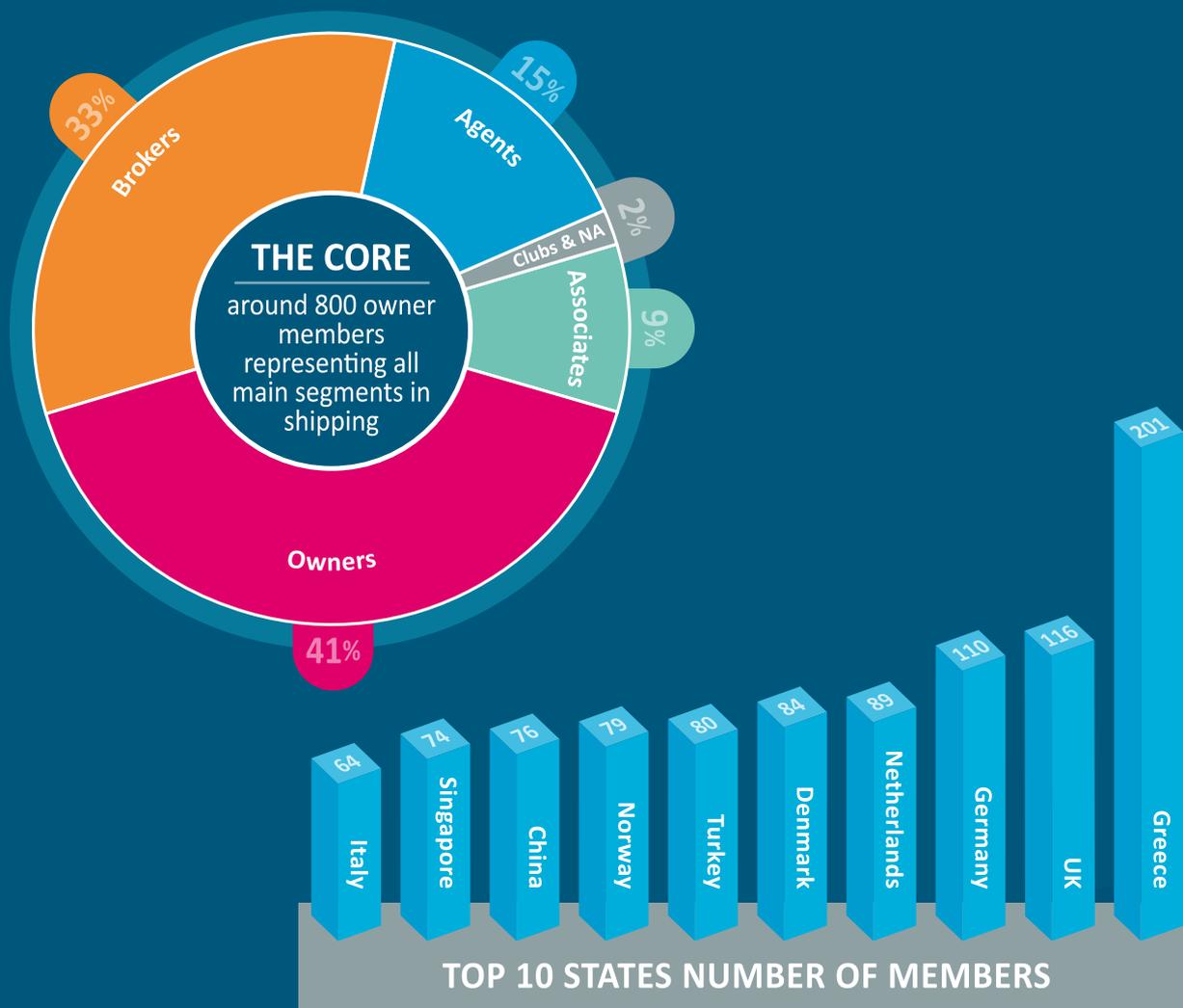
Rasmus Nord Jørgensen,
Communications Director, BIMCO

BIMCO

Strength in numbers 2019

Our members

1,900 members in more than 120 countries



The BIMCO fleet

represents 1,050 million DWT equalling 58% of the world cargo fleet



BIMCO

employs 55+ and 14 nationalities

½ million+

visits on the BIMCO website per year

36,000+

more than 36,000 BIMCO contracts are executed through IDEA/SmartCon every year

4

key office locations

Copenhagen
Athens
Singapore
Shanghai

55,000+

followers on social media



\$3 million

BIMCO assists members with recovering outstanding debt – on average over \$3 million per year

350

BIMCO offers 350 standard contracts and clauses to the shipping industry

10,000

BIMCO handles around 10,000 enquiries per year

6,000

more than 6,000 ships included in the BIMCO Shipping KPI system

BIMCO

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