International Chamber of Shipping

Shaping the Future of Shipping

Leadership Insights

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Building resilience for a green future

Ardmore's COO Mark Cameron talks strategy amid oil market boom

Shoring up amid market boom

Mark Cameron, Chief Operating Officer, Ardmore Shipping, talks to ICS about plans to ride the current oil and gas tanker market crest while preparing for potential recession and investing in decarbonisation plans

Q Shipping will not only be a transporter and enabler of green fuels globally but will also be vying for those same green fuels to cut its own emissions. What do you think shipping needs to do to ensure access to these future fuels?

A We've had the luxury of scraping the bottom of the fuel barrel for many years. The truth is, we're all going to have to move to a platform of more expensive fuels and probably somewhat more expensive propulsive and electricity generating technology. The level playing field that we all talk about is still some ways away, and today's marine fuel prices are a taste of what is to come – but we have adapted to the current expensive fuel environment and we will learn to adapt again in the future.

We will be competing for mainstream products in fairly high quantities but land-based energy production is still going to be the biggest demand. Shipping is going to have to get its foot in the door and be a much more visible global industry.

Q As part of your Energy Transition Plan Ardmore has invested in methanol to hydrogen technology with private equity firm Maritime Partners and Element 1 Corp. What drove this investment decision?

A Any positive step in maritime's energy transition is always going to be accompanied by some degree of risk. However, at this stage, it's not so much a question of 'What if I get it wrong?' but rather 'What if I do nothing?'.

Making this investment in Element 1 Corp took a lot of time and effort to understand the technology. To make such moves you need to have a clear strategy, together with ambition and support from the Board, as we have.

This investment, however, is one part of the long-term plan. We see more and more acceptance that methanol has a rightful place within the context of the energy transition. It's not going to be a panacea but it is going to play a significant part in the future fuel mix for many practical and financial reasons.

Technology investment is vital, but we have two other core pillars to our Energy Transition plan. We are also working on projects with customers to understand their future fuel needs, which may involve building new 'super-eco' ships for long term time charters. The other pillar is the transition to non-fossil fuel cargoes working with customers and our seafarers to gain a better understanding of the routes, trajectories, and carriage requirements. We currently have more than 20% of cargoes transport that are non-fossil fuel and we are looking to grow that deliberately while not forsaking the commercial upside.

None of us have the proverbial single silver bullet. What we have right now is a piece on the chessboard in a much larger game that is playing out over the next few years.

Shipping is going to have to get its foot in the door and be a much more visible industry

Q What safety and training considerations do you have when investing in new fuels and technologies?

A I personally am not an advocate of ammonia as a shipboard solution, I think it's just too dangerous. And I've said recently that you can't engineer out the toxicity of ammonia no matter what we do.

Vitally, we need to bring seafarers into the conversation so that they understand what is going to be expected of them, what range of experience they're going to need to have, how safety is going to be evaluated, and how new routines are going to be developed.

Shipping is going to see a shortage of skills off the back of COVID-19 and the Ukraine/Russia crisis. This, in addition to upskilling to meet new green fuel standards and technologies is going to make retention and recruitment challenging. Fuels like hydrogen require a different kind of chemical engineer and a process systems engineering approach. As an example of future proofing our business, we've recently employed a graduate from Newcastle University, who has a much more diverse energy background than any of us sitting in the office.

Q What are your plans to weather a possible global recession in 2023?

A We all know the tanker sector operates in a cyclical market. Currently the fundamentals are strong and we believe will continue to have good upside through the winter market.

We hear the loudest rumblings and see evidence of recession in Europe, less so currently in Asia. The US has both negative and not so positive indicators, although this may be due to several different interrelated factors including the global energy demand outlook.

Within Europe we've got to be careful not to talk ourselves into a deeper recession. We certainly believe that the MR and chemical sector positive earnings environment can continue. The best thing we can do is enjoy what we have while we have it, and build our balance sheet appropriately for the future.

Q What measures has Ardmore taken as a result of the Ukraine conflict and are you reshaping your markets as a result?

A We've opted not to pursue any Russian business. However, we are looking at a strategic shift in markets not just prompted by cause and effect. For example, in 2021 we launched our Energy Transition Plan to pursue alternative cargoes in different routes and to become more knowledgeable about new customers and cargoes. We will be working across longer trade routes as a result, the ton/mile demand is certainly up.

As a global centre of innovation for sustainable shipping and decarbonisation, I am in the process of moving to Singapore as part of Ardmore's wider strategy to focus on business development and opportunities in Singapore and with the Far East, further supporting our efforts to engage with stakeholders for our Energy Transition Plan.

Q What is Ardmore's current strategy for making the most of the current oil and gas market upturn?

A It would be remiss if we did not frame this market upturn in the unfortunate context of the ongoing Ukraine and Russia war and this tragic conflict being the catalyst for the situation we currently find ourselves in.

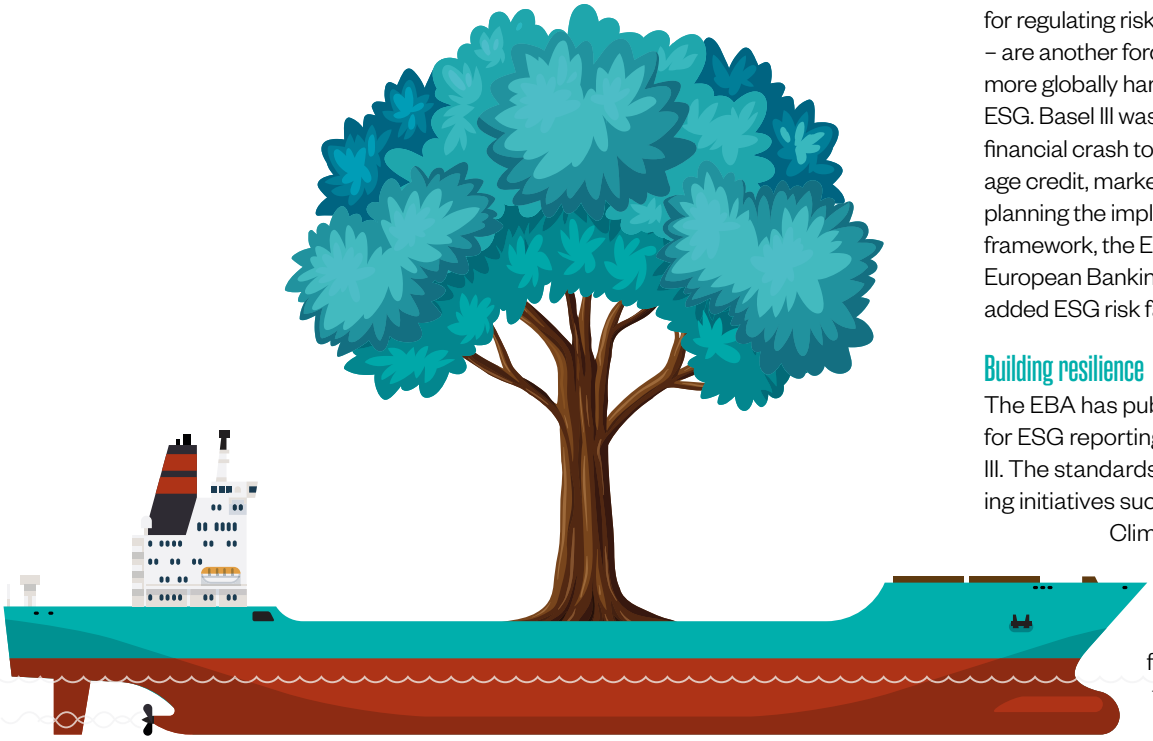
The resulting rally in the market comes after a long period of poor earnings so as a sector, and as a company, we must work to harness this moment in time. Of course, the future is only as bright as the darkest day you've had in your past. For us, this means paying down as much expensive debt. We've just completed a significant refinance of our fleet, moving away from costly loans that we had in the past, and rebuilding our balance sheet ready for a cyclical downturn in the market again in the future.

Can shipping capitalise on the green finance surge?

Shipowners targeting ESG-linked finance face tougher reporting requirements as banks and regulators focus on their own exposure to climate and social risk.

As banks and regulators around the world tighten requirements for environmental, social and governance (ESG) reporting, companies across multiple industries are having to up their game. At stake are not just customer credentials and environmental targets, but access to sustainability-linked finance, which as of the end of 2021 represents around 10% of the approximately US$120 trillion global credit market. As the trend for stricter reporting and greater lending associated with ESG spreads, it appears that shipowners are no exception.

There has traditionally been a wide gap between ESG reporting requirements across the world. But there are strong signs that a more harmonised regime is emerging. The latest regulator to encourage stricter standards is the US Securities and Exchange Commission (SEC).



In March, SEC proposed a rule that would require companies issuing stocks or bonds to make detailed climate-related disclosures in three areas: material climate impacts, greenhouse-gas emissions, and targets or transition plans. Companies will need to describe risks that have an impact on their business, results or financial condition, as well including climate-related metrics in their financial statements.

The SEC move, which could be implemented this year, pushes US reporting standards into line with the standards set in Europe. The EU Directive on Non-Financial Reporting 2014 requires large companies to report on policies, practices and results related to human rights, working conditions, corruption and the environment. Countries including the UK, France and Norway also have specific requirements.

The Basel Accords – a global framework for regulating risk in the banking industry – are another force set to drive higher and more globally harmonised standards in ESG. Basel III was devised after the 2008 financial crash to help banks better manage credit, market and operational risk. In planning the implementation of the new framework, the European Commission and European Banking Association (EBA) have added ESG risk factors into the equation.

Building resilience

The EBA has published draft standards for ESG reporting for banks under Basel III. The standards are built on long-standing initiatives such as the Task Force on Climate-related Financial Disclosures of the Financial Stability Board. But they go further by defining binding templates, tables and instructions to enhance

consistency and comparability. As ESG risk to banks include risks to their investments, those receiving funding from European banks can expect greater scrutiny of their own exposures.

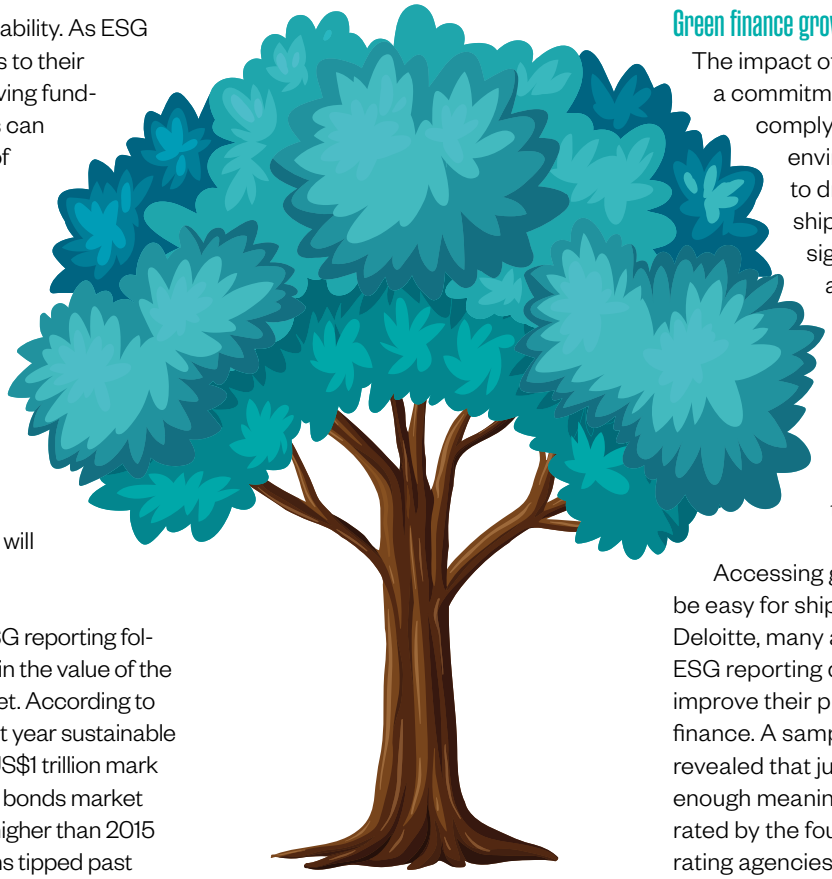
While the European regulators have been the first to act on Basel III, other regions will follow. As banks and investors find themselves increasingly regulated for ESG factors, reporting expectations for the companies they invest in will also rise.

Increased pressure on ESG reporting follows a dramatic increase in the value of the sustainable finance market. According to data provider Refinitiv, last year sustainable bond issues passed the US$1 trillion mark – nearly 1.5% of the global bonds market and more than 20 times higher than 2015 figures. Sustainability loans tipped past US$700 billion (compared to a global lending market of US$7 trillion), more than three times the previous annual record.

Recent developments could make 2022 another big year. Notably, Brookfield Asset Management has raised US$15 billion for its Global Transition Fund, which has become the biggest private fund dedicated to the net-zero energy transition. While direct investment in clean energy is a large part of the market, other sectors will benefit from the influx of green finance. In an interview with CNBC earlier this year, Mark Carney, former governor to the Bank of England and now Head of Transition Investing at Brookfield, noted the fund's role in driving the energy transition across industries.

"We're focusing just as much on going to where the emissions are," he said, "getting capital to steelmakers, to auto companies, to people in utilities, people in the energy sector so that they can make the investments to get their emissions down."

Shipping is conspicuous in its omission from Mark Carney's list. One reason that investors often shy away from ESG investing in maritime is the slow pace of demonstrable change. With nearly 30 years until its first sector-wide emissions reduction target – and even that distant goal currently aiming to only halve emissions – some analysts suggest that the horizon for making returns on climate-based investments in shipping is currently too remote for most investors.



Without [ESG] ratings, investors have less incentive to look at shipping as an addition to their sustainability-linked portfolios

Elias Makris, partner, Deloitte Greece

But while shipping may not have access to the full market of green investment options, climate-based finance is already a reality. In late 2021 accountancy firm Deloitte noted that since May 2018, new funding directed to shipping organisations based on ESG indicators has amounted to approximately US$14.5 billion. That represents around 5% of a total global ship finance portfolio that stood at just over US$290 billion at the end of last year, according to Petrofin Research.

Green finance grows

The impact of the Poseidon Principles, a commitment to invest in assets that comply with shipping's long-term environmental goals, is set to drive sustainability-linked ship finance further. The 29 signatory banks represent around US$185 billion in investments - well over half of the total global ship finance portfolio. Although many have yet to fulfil the principles across their portfolios, the direction is clear.

Accessing green finance may not be easy for shipowners. According to Deloitte, many are missing out on the ESG reporting disciplines that could improve their prospects for raising finance. A sample of shipping companies revealed that just 63% had produced enough meaningful ESG metrics to be rated by the four main sustainability rating agencies.

The majority of the globally renowned rating agencies have not yet evaluated or published ESG ratings for a significant number of shipping companies, explains Elias Makris, a partner at Deloitte Greece. Without those ratings, investors have less incentive to look at shipping as an addition to their sustainability-linked portfolios.

Makris notes that even where shipping companies have strong ESG practices in place, how they report it matters. "It is quite likely that even if a company is active in ESG, if the policies and frameworks governing its operations are not accessible, the resulting rating will be lower than if this information had been publicly available," he says.

A report from PWC sums up the increasing onus on shipowners: "Public disclosure of ESG performance will soon be mainstream in the maritime industry. We see shipping companies moving to a more focused mindset of treating ESG data as an asset."

ESG reporting represents another moving target alongside tightening environmental regulations. For shipowners, keeping up with these increasing standards is no longer just a matter of compliance; it is a critical tool for securing access to capital and safeguarding the future of their business.

Looming industrial action threatens global supply chains

Industrial action at ports and across key transport sectors is rising globally, adding strain on an already weakened supply chain.

The chief economist of the Chartered Institute of Procurement and Supply, Dr John Glen, warned that "multiple delivery routes and potentially more complicated plans are likely in the next couple of years" as challenges from industrial action and a volatile economy continue.

Rising costs of living, inflation and a worker-favourable labour market has led to many dock workers making greater demands on their employers. Strikes have occurred or been planned in India and for shipyard workers in South Korea during the summer. Workers at UK's Felixstowe port, which handles 40% of the UK's shipping containers, are the latest to strike over pay.

Workers at UK's Felixstowe Port, pictured here, elected to begin strike action 21 August. The port handles more than 40% of the UK's shipping containers. Credit: SciPhi.tv and Shutterstock

Umberto De Pretto, secretary general of the International Road Transport Union said governments should "work with industry to identify issues that impact supply chain resilience and take necessary measures". Read more here.

Ukraine grain corridor has had an 'immediate positive effect' on global food prices

The Ukraine grain corridor has shown encouraging success despite ongoing security concerns, according to the Joint Coordination Centre (JCC), the organisation administering grain shipments.

Speaking to *Leadership Insights*, the JCC said as of 25 August 39 vessels have moved from the three Ukrainian ports covered under the Initiative, carrying 845,496 metric tons of grain and foodstuffs to global markets. The JCC said this has had "an immediate positive impact on the price of foodstuffs" such as grain and cooking oils worldwide.

Ismini Palla, UN spokesperson at the JCC, said the objective to export 2 to 5 million tons of grain per month from the three Ukrainian ports covered under the initiative is "achievable" but "we have to remain realistic" as vessels are operating under significant pressure and constraints due to the surrounding conflict. Read more here.

Could 40% of containership traffic be fully battery powered by 2030?

Researchers claim that rapid price falls in commercial batteries could allow for more than 40% of global containerships traffic, representing the entirety of intra-regional trade, to be fully electrified by 2030.

A paper, published in July in nature.com, the online resource for the journal of science Nature, claims widespread uptake of such batteries would be cost effective, in part as they would be able to incorporate commercially available batteries with current shipboard technology. The research assumes a battery cost of US$100 kWh-1 and notes ships powered by battery would become economical over trade routes of less than 1,500 km "with minimal impact to ship carrying capacity".

Gareth Burton, Vice President of Technology at the American Bureau of Shipping (ABS) expressed a degree of scepticism regarding the paper's conclusions, noting the sizable challenge to meet the paper's proposed 40% target would mean both newbuilds and existing builds would all need to use batteries. He continued: "Extending the application of batteries to the point where deep-sea vessels can operate solely on batteries presents challenges, requiring significant developments in battery technology." Read more here.

UN toolbox tackles supply chain resilience

The UN Committee on Trade and Development (UNCTAD) has launched a new set of tools, available online, aimed at building resilience across the maritime supply chain. The package, available online, follows a series of disruptions including extreme weather, COVID-19 and the Ukraine crisis that have exposed the vulnerability of global logistics, and anticipates that similar factors will become a permanent feature of the "new normal".

Rebeca Grynspan, UNCTAD Secretary General told ICS: "Amid diverse crises and disruptions, ports should prepare and plan for the unknown and pursue proactive resilience-building. UNCTAD is supporting countries to move from crisis response to a proactive resilience strategy to keep trade flowing in difficult times." Read more here.

Battling shipping's brain drain amid the Great Resignation

When Korea's three biggest shipbuilders called on the government for emergency talks over persistent staff shortages in August, maritime recruiters would have been unsurprised. Several factors have made finding staff and skills difficult for maritime since the financial crisis of 2008, the subsequent decline in shipbuilding and especially since the COVID pandemic.

Since 2020 two trends have bedevilled recruitment at both the high and low ends of seniority. The 'Great Resignation' has seen swathes of leadership candidates retire early to redress their work-life balance, jaded by challenging work conditions and inspired by the quality time that COVID restrictions delivered. The ensuing global labour shortage has made finding even junior staff more difficult.

A small pool of talent means shipyards – like other maritime companies – will need to recruit faster and smarter to meet their staffing needs Credit: Shutterstock

That pincer movement may hinder one of the proposed strategies to tackle staff shortages at Korean yards. Recruiting workers from abroad is becoming increasingly difficult as people prioritise quality of life. According to Philip Parry, Chairman of maritime recruitment specialist Spinnaker Global, the trend is so pronounced that some maritime hubs – he cites Hong Kong and the Middle East – are losing ground to rivals as candidates choose countries that are closer to home or with better conditions.

The trends exacerbate a long-standing 'brain drain' from some sectors, notably shipbuilding as orders declined sharply from 2009. "If you look at the number of shipyards operating today compared to then, it stands to reason that there is a smaller pool of skilled people to recruit from," says Parry.

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> **Philip Parry, Chairman, Spinnaker Global**

The ICS/BIMCO Seafarer Workforce report 2021 warned that the industry needs an additional 89,510 STCW certified officers by 2026, and is already experiencing a shortfall of more than 26,000. Maritime companies are now having to compete for new skills in sustainability and digitalisation. Some employers are adapting to the challenge, says Parry. Progressive companies are willing to choose leadership over technical experience in a growing number of roles, for example. But many still recruit too slowly and inconsistently to hire effectively in a constricted market, missing out on top candidates.

One trend points to an optimistic outlook for maritime recruitment. Parry notes that human resources roles are increasingly highly valued and strategic among maritime companies. As more savvy HR executives tackle these diverse challenges, perhaps companies worldwide – including shipyards in Korea – will be able to plug the brain drain, initiate a 'Great Recruitment' and find the skills they need for the future.

ICS in Action

A round-up of ICS news and activities over the last month

Ghana Chamber of Shipping becomes Associate ICS member

ICS welcomed the Ghana Chamber of Shipping as a new associate member to the growing ICS network in August.

The Ghana Chamber of Shipping champions and protects Ghana's maritime industry, working to advocate for national and international change on behalf of its members. Ghana is a rapidly growing economy and a key part of West Africa's maritime industry.

The Ghana Chamber of Shipping is ICS's third member based in West Africa. Their valuable membership in the ICS will enhance both parties' work across collective issues including decarbonisation, piracy, digitisation, and seafarer welfare and training.

Mr Ben Owusu-Mensah, President of the Ghana Chamber of Shipping, said: "There is no doubt that Ghana, a formidable maritime nation with strong maritime credentials, stands to benefit immensely from the repertoire of knowledge and information that the ICS shares with its members towards resolving multifaceted maritime industry challenges."

ICS Recognised as a Best Workplace™ for Women

ICS earned recognition from Great Places to Work as a Best Workplace™ for Women earlier this summer, showing ICS's commitment to creating a diverse and inclusive workplace for all. This is ICS's second award, following a Great Place to Work certification granted in May this year. The Great Place to Work Certification is recognised around the world by employees and employers alike and is the global benchmark for identifying outstanding employee experiences.

ICS Barometer Survey – share your insights

ICS is continuing to gather responses and input for its ongoing Maritime Barometer Survey. The survey seeks to give a clearer picture of industry conditions in 2022 and to provide insight into the challenges and opportunities being faced by maritime leaders, from decarbonisation to geopolitical conflict. The anonymous findings will provide the basis for the ICS Maritime Barometer report, to be released early 2023, and help to shape ongoing conversation in the industry on critical issues, reveal trends on an international and regional basis, and help inform your own policy and strategic communications plans. We encourage you to give your unique insights as soon as possible. Take the survey here.

ICS guide on Reducing Greenhouse Gases coming soon

ICS's new guide Reducing Greenhouse Gas Emissions: A Guide for IMO Regulatory Compliance, will be published in early October. Members can register their interest in purchasing a copy here. The publication outlines the steps needed for businesses to be compliant with new CO_2 reduction targets agreed by the International Maritime Organization (IMO).

These important new IMO regulations on energy efficiency, which introduce additional technical and operational CO_2 reduction measures applicable to the existing fleet, will have entered into force globally by the end of 2022. Shipping companies will need to be ready to comply. This ICS guide is primarily intended for shipping companies and ships' crews, to help them understand the IMO regulatory framework and its evolutions and to support decision-making on compliance with these mandatory requirements.

International Chamber of Shipping

ICS is the principal international trade association for merchant shipowners and operators, representing all sectors and trades and over 80% of the world merchant fleet.

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