



Leadership Insights

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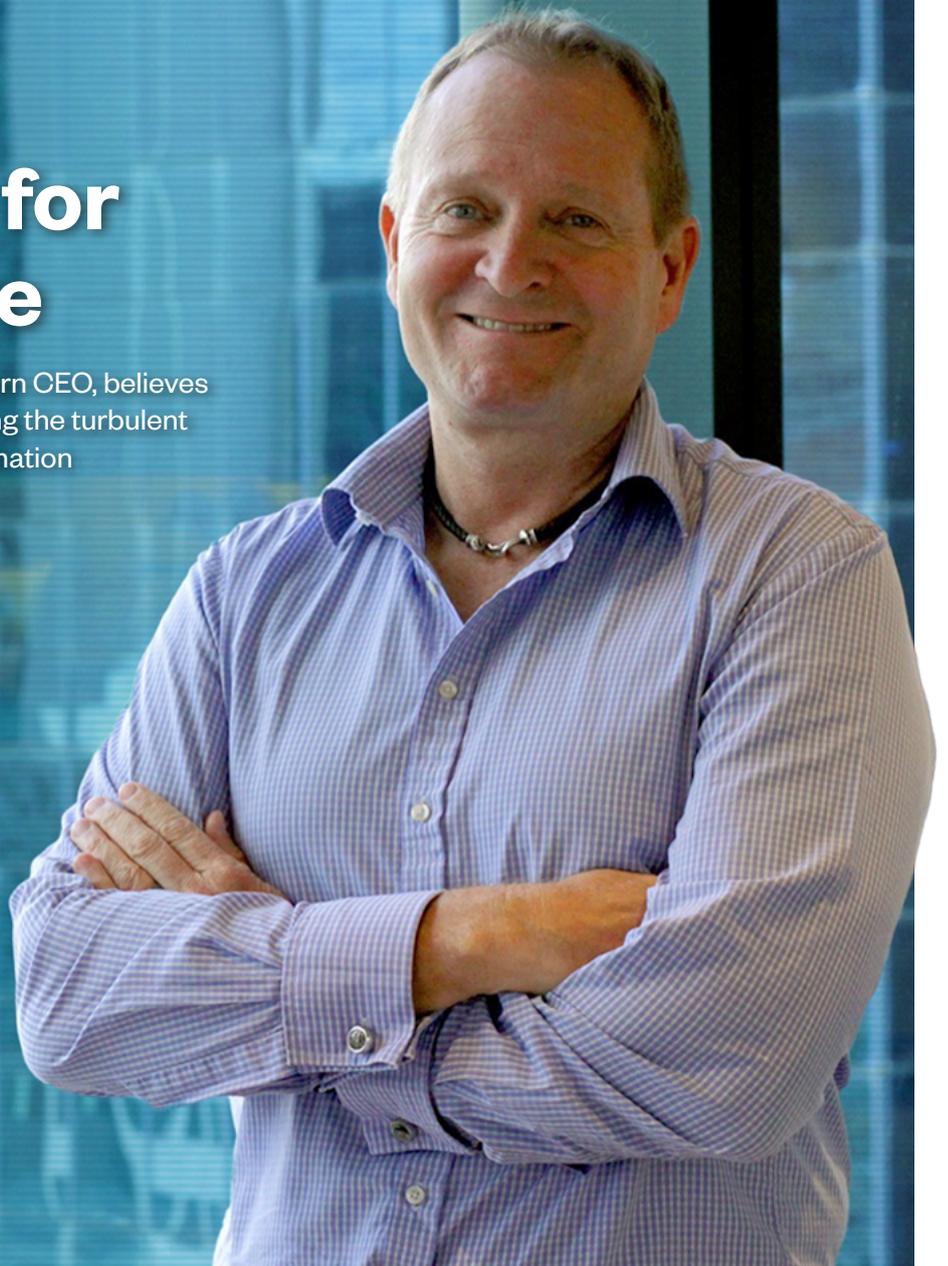
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Focused for the future

Bjørn Højgaard, Anglo-Eastern CEO, believes that flexibility is key to thriving the turbulent waters of maritime transformation



Meeting challenge with flexibility and focus

Bjørn Højgaard, CEO of shipmanager Anglo-Eastern, talks to *Leadership Insights* about post-pandemic crewing challenges and supporting shipowners on the path to decarbonisation.

Q You manage close to 700 vessels and more than 33,000 crew. Did that scale help or hinder your business during the pandemic, the supply chain crisis and the Ukraine conflict?

A Ship management is as global as a business can be. That gives us some unique challenges but also opportunities. The lesson from the last two or three years is to make sure you're not too tethered to one specific place and that you have the flexibility to adjust your plans to the situation on the ground. That goes for where we have offices, where we do banking and where we make crew changes.

Q How did you deal with the ever-shifting restrictions on crew movements caused by Covid and subsequent geopolitical tensions?

A One of the ripple effects of COVID has been a propensity to shop around. People get their crews from wherever makes more sense for them. A good example would be in April 2021 when the Delta variant was prevalent in India. Every owner in the world was trying to get away from Indian crew and replace them with seafarers from China, which had zero COVID. Later China locked down and India overcame Delta, so everyone had to quickly reverse that position.

Then when Ukraine was

invaded in February, people who had a very large part of their crewing contingent from Russia and Ukraine were scrambling to find alternatives. Perhaps from other places in East Europe, or India or the Philippines. At that time China wasn't really an option because of the difficulties of moving Chinese crew around the world.

So, we've seen a growing tendency to make crew choices in response to restrictions in different countries. And if suddenly you're going around and offering jobs elsewhere, it changes the market. We have felt the need to be more proactive in making sure both that the crewing pool remains intact, and that the people in the pool are not left behind.

Q Has the need for future skills for decarbonisation and digitalisation also affected how you recruit seafarers?

A I don't think we're recruiting different skills because we always train from the ground up. But we have adjusted training programmes to address future fuels. The first big area is LNG and dual-fuel ships, especially on dry ships where the crew has not been used to dealing with gaseous fuels. There's a lot to be done to make sure that they're comfortable and competent when handling those fuels.

But those programmes are not rocket science. You need to have simulators, you need some onboard familiarisation and some bunkering experience. We are rolling out that training to make sure people are ready for it. The next thing will be ammonia, methanol, and hydrogen - we already have a couple of small



Market-based measures are the real key to the transition. We must get to a place where economics drives the imperative for change

ships that deal with hydrogen – but again, it's not an insurmountable challenge to train the people that are in the workforce today to manage that transition.

A couple of things are working in our favour. One is that we are going to see a plethora of low-Earth orbiting satellites deployed. That means connectivity at sea is going to go up by a hundred times in terms of bandwidth in the next two years. People on board are going to be connected in a very real sense with colleagues on shore – and owners, charterers, and suppliers of technology and fuels – in a way that just hasn't been possible before.

Q And how are you and your clients viewing that technology transition – increased connectivity as well as the energy transition?

A We have around 60 clients. Some have no interest in leading that development, but others are very cutting edge. By working with these cutting-edge clients we have an insight into each of these fields and we have workstreams covering all those areas.

In our case, ammonia seems to be more popular. We have probably 20 ships under construction or contracted to be built that are prepared for ammonia as a dual-fuel solution. A few clients are looking into methanol and we also have vessels with Flettner rotors or air lubrication.

Q That's still quite a broad range. What will determine how those choices are narrowed down in the future?

A When the fuel is available in the right places at the right time, driven by green transformation and finance. Market-based measures are the real key to the transition. We must get to a place where economics drives the imperative for change. We don't know where it will go but that trend is unmistakable. And I think shipowners by and large, probably want certainty more than low cost.

Carbon markets will be useful for shipowners to reduce their exposure to volatility through market-based measures over time. That can only be positive; one of the biggest challenges to shipowners is the fact that shipping is exceptionally volatile. If you can somehow manage that, then you can be a very successful protagonist in the industry.

Q What about your own efforts to make operations greener?

A In the short term, it's all about operational efficiencies. No matter how these market-based measures are going to be rolled out, the one conclusion you cannot escape is that the cost of propulsion will go

up. So, we are making sure that each ship and each leg of every voyage is looked at in a way that optimises speed versus fuel consumption, taking advantage of seasonality, weather and currents. On the engine side, it's about making sure that you optimise your equipment to burn as little as possible and make sure that maintenance is also optimised.

In the medium term, we're going to see the transition to new fuels. That's going to mean a lot in terms of design and technology and training. And long-term, maybe 50 years from now, I think nuclear is going to be part of the solution. We are quite involved with companies like Core Power and Seaborg. We need something that is firm as a baseload that isn't intermittent like renewables, that is low carbon and that is safe. Nuclear [power] fits all those requirements.

Q What's your approach to advancing your digital capabilities?

A The enemy of machine learning is poor data, and that's where we want to start. Luckily, communication, processing power and sensors are progressing very fast. Ships managed by Anglo-Eastern carry two and a half percent of the world's goods, so the data is enormous. It's about ensuring the quality of that data and then attacking it with the proper machine learning

Q Returning to the seafarer and society in general – how are you working to ensure a just transition alongside the technical changes that are coming to shipping?

A A just transition means leaving no one behind. That comes back to good training and good politics, making sure you embrace diversity and are equitable and inclusive in everything you do. Unfortunately, that is one thing in shipping that is always difficult, with people at sea doing fantastic work but being out of sight. I'm very mindful that we shouldn't make victims out of seafarers, but we have to continue to ensure they have the resources and conditions on board that allow them to be successful - and thereby impact all our lives through improved trade and global collaboration.

What we have seen in terms of globalisation in last 30-40 years is down to shipping being so efficient, cost effective and seamless. And through that we have grown the economic pie and taken people out of poverty. Shipping continues to play a positive role that would not be possible without seafarers.

In a world where we seem to have bigger challenges than I can remember in the last 50 years, it is easy to forget the best that everyone can do is to get the small things right. We need to get on with it and make sure our little part of the picture gets solved in a constructive way that helps the [bigger picture resolve](#).

Energy saving claims scrutinised as short-term measures loom

Fuel savings promised by energy efficient technologies may not lead to similar EEXI and CII improvements, experts have warned as shipowners prepare to comply with the new measures. CII reporting begins as of 1 January 2023, with grading to be issued in 2024, while EEXI solutions need to be in place and the vessel's EEXI technical file verified at its first International Air Pollution Prevention (IAPP) survey beginning 2023.

Speaking at a webinar organised by ICS, Arcsilea Principal Consultant Edwin Pang noted that fuel efficiency claims made by equipment manufacturers often refer to best case savings on propulsive efficiency only, at a single set of conditions. Pang demonstrated how a claim of 5% fuel savings from energy saving devices can equate to only a 3.5% improvement against the vessel's EEXI reference line.

The impact of propulsion savings is even lower for CII ratings, which consider all energy used on the vessel. Pang explained that operational measures such as bio-

fouling management, minimising idle time and speed optimisation are more effective than energy efficient technologies in improving CII rating.

Dalian Maritime University Associate Professor Dr Shuang Zhang highlighted "perverse incentives" arising from the current CII metrics. These come from the use of deadweight or gross tonnage as a proxy for cargo carried by a vessel, and because only activities which create sailing distance are counted as transport work. "Therefore a ship carrying less cargo and sailing on longer voyages with

Pang demonstrated how a claim of 5% fuel savings from energy saving devices can equate to only a 3.5% improvement against the vessel's EEXI reference line

relatively lower port time will obtain a better CII," she said.

Zhang advised shipowners to use some of the [trial metrics](#) contained within the CII measure, which could reflect operational efficiency better for some vessel segments.

ICS Technical Director Chris Waddington highlighted key deadlines for shipowners on short-term measures. Most urgent is the requirement for vessels to have their verified Ship Energy Efficiency Management Plan (SEEMP) Part III onboard by 31 December 2022. This includes an operational plan to reduce the vessel's carbon intensity and annual CII rating requirements to 2025.

However, operators looking to install the most popular EEXI solutions (engine or shaft power limitation) in time to comply with the IAPP survey deadline are likely to struggle. Pang has warned that bottlenecks in equipment supply are already rife – and the situation [may worsen in the future](#).



Inspection challenges at Black Sea Grain Corridor

The Black Sea Grain Initiative ('the Initiative') was recently extended by 120 days to 18 March 2023 under the original conditions, after all parties reached agreement. However, it continues to face political and operational challenges. Not only has Russia threatened to unilaterally withdraw from the Initiative, if the corridor is deemed to be used for military purposes, but optimising the throughput of vessels remains challenging given limited inspection resources.

According to the Joint Coordination Centre (JCC), as of 4 December, inspections have been conducted on a total of 1,046 voyages (of which 524 were on outbound voyages) since the launch of the Initiative on 27 July 2022. However, a further 91 vessels are currently awaiting inspection in Turkish territorial waters. Of these, 65 (with a capacity

to export approximately 2.2 million tons of foodstuffs) are awaiting approval to move – pending inspection – into Ukrainian ports, and 26 laden vessels are awaiting inspection prior to departing Turkish waters.

Additional resources allocated to vessel inspection on a permanent basis may expedite the approvals process – as may incorporating lessons learned through existing inspections - however the JCC is yet to permanently increase the number of teams beyond three.

The JCC told the ICS Newsletter that it continues to discuss ways to optimise logistical arrangements in the designated inspection areas, and prioritise vessels that are fully ready for inspection. However, the average number of completed inspections,

according to Ms. Ismini Palla, UN Spokesperson for Black Sea Grain Initiative, has remained between six and seven per day since 3 November.

Ship operators can facilitate vessel movements, by ensuring their ships submit accurate and timely pre-clearance information and are ready to receive inspectors. A collaborative approach will enhance the efficiency of the inspection programme and, as a corollary, increase the chances that it can be sustained in the event that additional inspection resources cannot be assigned to the task.

These steps are particularly important given that, at time of press, some of the 65 inbound ships have been awaiting [inspection for over a month](#).

Lloyd's Open Form revamp gathering speed

The Lloyd's Open Form (LOF) contract for vessel salvage is undergoing a major revamp in response to declining use by the maritime community. The work focuses on three areas: The first being to examine costs and awards (to address a market perception that the LOF system is expensive); the second to raise the profile of the LOF in the Far East and Asia, where it is rarely used; and the third to position salvage in the context of the Environmental, Social, and Governance (ESG) movement that is gathering speed.

"The LOF is a prime example of a tool designed to save lives and avoid damage to the environment and is therefore extremely relevant from an ESG perspective," explains Kiran Khosla, Principal Director (Legal) at ICS, which is participating in the review.

The changes are being designed to reignite demand for the LOF, which is losing momentum. "Some underwriters have been using other contracts as they feel LOF can give rise to unjustly high salvage

The LOF is a prime example of a tool designed to save lives and avoid damage to the environment

**Kiran Khosla,
Principal Director (Legal) at ICS**

awards that can be avoided through other contractual mechanisms," explains Nick Coleman, chair of the salvage forum at International Union of Marine Insurance (IUMI) and senior claims executive for marine claims at Gard AS. He added that there have also been fewer incidents, which may account for the reduced usage of the LOF.

Captain Nicholas Sloane, President of the International Salvage Union (ISU) and Director at Resolve Marine, believes that the LOF is being judged unjustly. "The LOF is a document produced by property interests and underwriters to support them in their time of need - and was not produced by the salvors," he says.

Although he agrees that the LOF is due to evolve to meet client needs, Sloane believes that this must be accompanied by clear information about the benefits of using the form as there is "a lack of understanding and appreciation of the award / settlement process & procedures".

Both Sloane and Coleman believe that the form revamp is timely given the adoption of alternative fuels by the global fleet. "In the first big casualties - with fuel being leaked or batteries on fire – there would be no idea of how long a salvage operation will go on or what assets will be required, so this uncertainty may make the LOF more popular in the short term," Coleman says.

Sloane emphasises the need for a quick, professional response to incidents involving new-generation vessels and green cargoes. He warns, "The intervention of professionals becomes even more critical since salvors deal with these scenarios weekly, whereas the local coastal state may be experiencing a disaster of this [magnitude for the first time](#)."

COP27 casts light on shipping's key role in decarbonisation

Climate talks in Sharm El-Sheikh highlighted how shipping's decarbonisation can spur the process in other sectors, as well as support sustainable development.

If shipping has traditionally viewed itself as an isolated industrial niche, the recent COP27 climate talks in Egypt might just shake that perception. While concrete progress towards global targets was slight (apart from a last-minute agreement to plan a 'loss and damage fund' for climate-vulnerable countries), a series of pledges and projects revealed that shipping's decarbonisation underpins wider ambitions.

New announcements were dominated by corporate pledges. They included a US\$500 million decarbonisation investment from port operator DP World, as well as a brace of companies signing up to the First Movers Coalition. Members have committed to signing green technology purchasing agreements valued at US\$30 billion by 2030, and now include 12 ship operators and several cargo owners, with Hoegh Autoliners and bulk charterer Rio Tinto the latest companies to join. To help make corporate pledges credible, the UN High Level Expert Group on Net-Zero Commitments published their guidance for non-government entities.

The ICS Clean Maritime Hubs initiative, designed to foster partnership between ports preparing for alternative fuels, announced [three new government signatories](#), from Uruguay, Panama and Norway.

During the World Leaders Summit ICS Chairman Emanuele Grimaldi voiced the urgency to move promptly, "we have limited capacity in our shipyards and building the port and the people infrastructure needed is not a quick task, so both governments and companies need to start planning now so that investment happens at scale."



ICS Chairman Emanuele Grimaldi with John Kerry

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Help for developing countries seeking to establish green corridors was another priority, with the US\$1.5 million US Green Shipping Corridors Initiation Project a prime example. Pace is also picking up behind promises made to accelerate

shipping's energy transition a year ago at COP26 in Glasgow. The US and Norway-led Green Shipping Challenge collated 13 new and previously announced green corridor projects.

A Maritime Just Transition

There were also important moves to ensure that seafarers ensure that seafarers are a priority in shipping's decarbonisation journey. The Maritime Just Transition Task Force was established by the International Chamber of Shipping (ICS), the International Transport Workers' Federation (ITF), the United Nations Global Compact, the International Labour Organization (ILO) and the International Maritime Organization (IMO) at COP27. At this year's talks the task force launched a [ten-point action plan](#) for upskilling seafarers to meet shipping's decarbonisation goals.

Research commissioned by the task force identified that the jobs of up to 800,000 seafarers could be at risk by the mid-2030s without additional training in handling alternative fuels and new propulsion technologies.

Guy Platten, Secretary General, International Chamber of Shipping, said: "There is an urgent need to establish the infrastructure and training required to prepare our seafaring workforce, both in developed and developing countries, to help meet our decarbonisation objectives. This should be done as of today. Shipping cannot decarbonise without its workers. The action plan maps out a pathway for how this can be achieved."

Part of the solution

Arguably the most novel aspect of this year's talks was how shipping emerged as a pivotal player in the global energy transition. Not only will it be responsible for carrying the green fuel that will help to cut emissions in other hard-to-abate sectors, but its own need for alternative fuels can act as a crucial investment driver for the first projects.

Initial investments in infrastructure will be a valuable boost for developing countries. At a side event at COP27, World Bank Global Director for Transport Nicolas Peltier-Thiberge explained how its 'client countries', which include some of the world's poorest economies, stand to benefit.

"Given their strategic geographic locations and energy resource endowments, there is a large untapped potential for

zero-carbon fuel production in many developing countries," he said. "Developing green fuel production in these countries will significantly advance economic development and yield climate co-benefits such as jobs, innovation and air quality improvements, at the same time putting client countries in a position where they can achieve many UN Sustainable Development Goals."

Dr Charlotte Kirk of renewable power company Fortescue Future Industries attended COP27, hosting discussions and tracking the emergence of clean energy projects. Reviewing progress at the event, she explained that shipping's demand for green fuels can spur a viable alternative fuels business that other sectors can benefit from.

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"It was really positive to see how we are starting to think of shipping as part of the climate solution," she said. "By building resilient global supply chains, providing an early source of demand and participating in early bankable offtake projects, shipping can enable the scale up of the green hydrogen industry and have a much broader impact on hard-to-electrify sectors."

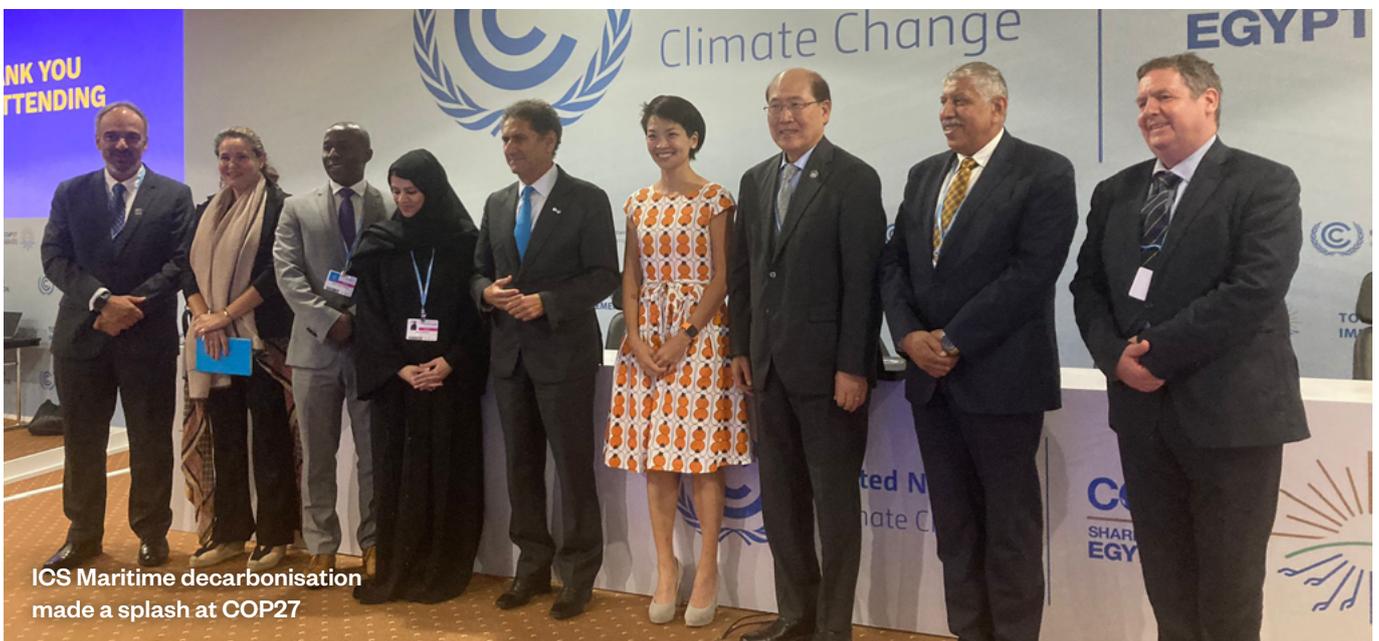
Host country Egypt also unveiled a slew of announcements, including eight green hydrogen projects, including a 100MW plant to be developed by Scatec under an agreement between the Egyptian and Norwegian governments. The role that shipping can play in such projects, not least how it accesses the green fuels it will need, will be one element for discussion under a partnership agreement between [ICS and the Suez Canal Authority](#).

Evolving markets

Building on the growing awareness of shipping's pivotal role in global decarbonisation, a side event organised by ICS explored how energy and shipping markets will need to evolve to align with the Paris Agreement goal of keeping global temperatures under 1.5°C above pre-industrial levels. Professor Alice Larkin of the Tyndall Centre at the University of Manchester revealed highlights of [new research](#) commissioned by ICS.

Larkin pointed out the gap between future renewable energy demand in the future and production capability today. Even considering projects already announced, only 4% of which have a final investment decision, there could be a 126 million tonne gap between production capability and demand for low-carbon hydrogen in 2030.

To fulfil that demand, and the increasing need for biofuels, shipping will also need to prepare for a shift away from conventional energy transport markets. The report identified that sea transport of ammonia and bioenergy in the coming decades could match shipments of [gas and coal today](#).



ICS in Action

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

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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New guide clarifies recycling regulations

ICS, the International Ship Suppliers' Association (ISSA), BIMCO and the International HazMat Association (IHMA) have collaborated to develop a new guide titled 'Materials Declarations for Inventories of Hazardous Materials' to clarify recycling regulations for shipowners and ship suppliers.

The guide ([download here](#)) helps shipowners and suppliers to understand the legislation, reduce the administrative burden for both parties, and ensure that the Inventory of Hazardous Materials is completed properly.

John Stawpert, ICS Senior Manager of Environment and Trade, said, "We found that in their efforts to comply with regulations, shipowners were making exhaustive requests for materials declarations on items that did not need to be included in the IHM. Not only was this putting a huge administrative burden on ship suppliers but was also making the maintenance of the inventory by the owner significantly more complicated."

Gender-based discrimination in shipping

An in-depth survey conducted by WISTA International, Anglo Eastern, ISWAN and ICS found that women in shipping continue to experience high levels of onboard harassment and bullying. Polling 1128 women seafarers across 78 countries, the survey collected data on company harassment and bullying policies, company and industry hotlines, and the effect of the pandemic on women's experiences at sea.

"Over the next decade, there will likely be an even greater need for qualified seafarers. One of the best and most effective strategies to stop the growing disparity is adopting gender-inclusive policies within a safe work culture," said Sanjam Sahi Gupta, Founder of WISTA India and co-chair of the WISTA International Diversity Committee.

The results of the survey are available as part of WISTA International's Diversity Handbook, alongside guidance for maritime businesses to promote gender diversity and dispel prejudice.

ICS' Natalie Shaw awarded MBE for services to seafarers

ICS Director of Employment Affairs Natalie Shaw was awarded an appointment to the Order of the British Empire 'for services to seafarers during the COVID-19 pandemic' by the Princess Royal during an investiture ceremony at Windsor Castle.

The Member of the Most Excellent Order of the British Empire (MBE) award serves as recognition of her nearly two decades of dedicated service within global shipping, such as contributions to the creation of the IMO's MLC 2006, the ILO's minimum wage, crew claims and abandonment, fair treatment, piracy, [and seafarer medical issues](#).

Keeping pandemic cooperation active

ICS has signed a memorandum of understanding (MOU) with the International Transport Workers' Federation (ITF) and the International Maritime Employers' Council (IMEC) to take forward the 'spirit of cooperation' that marked the shipping industry's joint efforts throughout the pandemic.

Priorities for the group, which is open to additional members, include lobbying governments on improving training and career pathways, pushing for better recognition of seafarers, and securing support for the proposals put out recently in the Maritime Just Transition Task Force's action plan.

"This MOU helps to take our important policy discussions to the next stage – industry action," [said ICS Secretary General Guy Platten](#).