

# Leadership Insights

Insights from the global leadership community

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CEO of ADNOC Logistics & Services  
discusses growth and resilience in  
the face of change



# Shipping's shared prosperity

Captain Abdulkareem Al Masabi, CEO of ADNOC Logistics & Services, a global energy maritime logistics company based in Abu Dhabi and Chairman of the Emirates Shipping Association, talks about the vital economic role shipping plays in the UAE and plans to grow and remain resilient in the face of change.

**Q** ADNOC L&S has a big footprint in the UAE, providing integrated logistics, shipping and marine services with an owned fleet of more than 250 vessels transporting and providing energy logistics. Can you please outline the importance of the UAE as a maritime hub for the global economy?

**A** Long before its foundation in 1971, the UAE established itself as a global trading hub, with the shipping and the maritime industry at the heartbeat of the economic vibrancy. The sector has played a significant role in our nation's exponential economic growth accounting for 9 to 10% of the overall GDP of the UAE, acting as a cornerstone of our prosperity and a vital facilitator of our international trade.

Our global position continues to expand and grow. In early December, the UAE was re-elected to the Council of the International Maritime Organization (IMO) in the Category B membership for the fourth term with the highest number of votes, following comprehensive efforts and an intensive election campaign leading up to the elections.

In 2022, UAE ports registered more than 25,000 vessel calls and handled more than 90 million TEUs. During that time ADNOC L&S transported 30 MMT of cargo around the world to over 100 customers in more than 50 countries.





Achieving net zero goals cannot happen without solutions brought forth by the industry itself

This robust progress isn't just about industry gains. A strong maritime sector significantly boosts the prosperity of communities and many other economic sectors. And it ensures that the benefits of trade growth reach everyone fostering shared prosperity among diverse populations.

**Q As a major operator of tankers, how are you coping with the various challenges resulting from the conflict between Ukraine and Russia and how are companies like ADNOC L&S looking to overcome competition for crew?**

**A** In the past four years, the energy maritime industry has endured unprecedented challenges including a global pandemic, an energy supply crunch, and armed conflicts, all of which have forced maritime energy leaders to stay flexible and innovative. The resilience of our industry has been demonstrated on a daily basis. It also means the industry will shift in many different directions to meet the evolving needs of customers and economies.

This year, we launched our state-of-the-art Integrated Logistics Services Platform; one of the largest turn-key offshore logistics offerings in the world designed to enable coordinated end-to-end management of energy logistics and maritime operations, which gives our company and our customers an edge in adapting to rapidly changing global events.

We are also constantly seeking to collaborate with stakeholders and form new strategic partnerships to seek out new opportunities, boost efficiency and resilience, and to increase the skillsets and wellbeing of our people.

It is our people that are at the core of ADNOC L&S and we take great pride in safeguarding the UAE's seafaring legacy. Fortunately, the impact of the workforce short-

age has been limited at our company and we work hard to retain and support our 3,200 seafarers, and we utilise a diverse talent management strategy that allows us to reach global recruitment markets, further insulating the company from geopolitical disruptions.

**Q As the world makes its green transition, working towards Paris goals, while shipping works towards IMO 2030 and 2050 goals, what light can you shed on moves being made in the UAE to aid this transition?**

**A** COP28 achieved a historic win with the emergence of the UAE Consensus, headlined by all Parties agreeing to transition away from fossil fuels on the way to a net-zero world by 2050. It is prudent for industries to help make this happen by bringing forth solutions from within while meeting the demands of global economies.

We must be able to meet these dual challenges by providing the world with the goods and energy required for a prosperous society while reducing the emissions associated with meeting these needs. It is a major challenge, but one we all have no choice but to overcome.

**Q What plans do you have at ADNOC L&S to maintain and grow shipping's importance nationally and on the international stage?**

**A** At ADNOC L&S, we have developed a strategic vision built on our smart growth strategy that aims to meet rising and evolving global energy demand, unlock new value, expand our geographical reach, increase our service offerings, and attract new customers. This strategy allows us to leverage our size and scale to readjust to energy supplies and [services in the face of new shipping challenges across all geographies.](#)

## Collective voice needed to deliver effective AI standards

The World Economic Forum's (WEF) Artificial Intelligence (AI) Governance Alliance has concluded that governments, industry, academia, and impacted communities must collaborate to safely reap the benefits of AI systems.

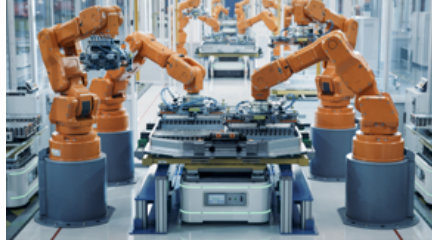
Despite its relative infancy within the maritime industry, the technology is increasingly being adopted and could change the face of shipping, but applying AI is complex and not without risk.

"Approaching from a mindset of safety and risk is vital, alongside the economic opportunity", Tony Boylen, Principal Specialist, Assurance of Autonomy at Lloyd's Register told ICS *Leadership Insights*.

"By demonstrating the safety, consistency, reliability and benefits in AI, regulators' perceptions and decisions may be influenced – providing confidence in the wider 'best practice' delivery model, rather than just the performance capability itself."

Global standardisation is the key to unlocking the potential safety, economic, and environmental benefits of AI, but concerns about the development of unilateral standards remain. Read more [here](#).

## Battery recycling process holds promise for sustainability improvement



**Sustainable lithium-ion batteries one step closer? Credit: Shutterstock**

A new method for the recovery of lithium and aluminum from lithium-ion batteries holds the potential to increase the sustainability credentials of battery powered vessels.

Researchers at Sweden's Chalmers University of Technology have developed

a process which uses oxalic acid, a common organic compound to recover 98% of the lithium and 100% of the aluminium from ground up battery "black mass".

The advancement could improve battery sustainability by easing demand for the mining of metals like lithium and cobalt.

"By 2050, recycled batteries could provide a substantial portion of the key minerals needed to electrify the shipping industry," Panos Koutsourakis, ABS Vice President, Global Sustainability, told ICS *Leadership Insights*.

The ability to scale up the process will be key to any future industrial adoption. Read more [here](#).

## Geopolitical conflict threatens seafarer well-being

Shipping charities and unions are concerned seafarer welfare is being overlooked amid the supply chain disruption resulting from attacks on shipping in the Gulf of Aden and Red Sea.

"Seafarers did not sign up to be shot at, yet that is what they are facing. We are speaking to crews...who are extremely anxious", Sailors' Society's CEO, Sara Baade told ICS *Leadership Insights*.

Charities are in regular contact with

crews and the International Transport Workers' Federation has agreed with employers the "right to refuse to sail", which may result in more ships 'going round' if seafarers voice concerns about transiting through the area.

While crews conduct regular emergency drills and naval forces step up efforts to provide safe passage, the recent tragic loss of life aboard the True Confidence and the sinking of the Rubymar illustrates the nature of the threat. Read more [here](#).

## Red Sea attacks join triple threat to global trade

Attacks on vessels in the Gulf of Aden and Red Sea combined with disruptions in the Black Sea and Panama Canal are altering trade flows and stress-testing the resilience of the industry, fuelling concerns that short-term spikes in transport costs could lead to high prices.

The analysis is borne out by food price data from the World Bank, which cited

the disruptions as it reported that agriculture and export price indices surged by 3% and 10% between 1 February and 19 February.

Jan Hoffmann, Chief of UNCTAD's Trade Facilitation Section, told ICS *Leadership Insights*: "The attacks on Red Sea shipping are adding tensions and costs to global trade, exacerbating disruption due

to geopolitics and climate change."

While analysts remain divided about inflation in the longer term, Allianz Trade research warned of further impacts if the disruption continues for several months. Energy price volatility was cited as the most vulnerable factor, as 12% of seaborne oil and 8% of liquefied natural gas pass through the Suez Canal. Read more [here](#).





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## Shaping the Future of Shipping – Weathering the Storms

Global Trade – Risk and Resilience in an Age of Disruption



### Save the Date

Thursday 13<sup>th</sup> June, 2024

Grand Quay, Montreal, Canada



[www.ics-shipping.org/events](http://www.ics-shipping.org/events)

In a bid to save valuable water, the Panama Canal Authority has invested in water basins, that can be filled during each lockage to re-use the water. Credit: Shutterstock

# Trade flows adapting to climate change impacts

Climate change is already bringing disruption to world trade flows and will deliver further supply chain interruptions, modal shifts, and route changes.

As extreme weather becomes increasingly common around the globe, climate change is beginning to impact the work of ships, ports, and vital waterways, bringing disruption to some of the most established trade flows.

The most high profile and recent example is the restriction of transits through the Panama Canal due to a prolonged drought affecting water levels in the lake that feeds the canal's operations. In normal operation, the Panama Canal has around 36 transits per day, but from mid-January 2024 there were just 24, and authorities almost pulled back to just 18.

Vessel draught restrictions have progressively fallen throughout 2023 from their usual level of 15.24 metres to 13.11 metres, limiting the size and cargo carrying capacity of vessels transiting the canal.

The alternative for shipping is a long detour around South America by the Magellan route, or going via the Suez Canal - a waterway facing its own complications in recent months due to the Red Sea crisis. Alternatives include diverting

imports to US West Coast ports, using trucking and rail over-landing in the US, a costly and carbon heavy solution. Meanwhile, companies such as Maersk have split its Oceania-America service into two parts, an Atlantic loop and a Pacific loop joined by an 80km rail "land bridge" to move goods across Panama.

Peter Sand, Chief Analyst at Xeneta told *ICS Leadership Insights*: "In terms of numbers of containers, Far East to US Gulf and US East Coast are the hardest hit trades, but they do have alternative routing opportunities. Worst off are South America West Coast to US East Coast and Europe trades, and much of this is perishables."

Sand expects disruption to continue through most of 2024, easing in the second half assuming rains return.

Jan Hoffman, Head of Trade Logistics at UNCTAD, told *ICS Leadership Insights* that there is a hidden impact on trade resilience caused by forced modal changes, with "fewer options to ship" leading to more risk of interruptions.

"As we saw recently, the reduction of transits through the Panama Canal is compounded by the crisis in the Red Sea. The surge in container freight rates as measured by the SCFI [Shanghai Containerization Freight Index] at the end of December was the highest weekly increase ever recorded."

However, not all of the consequences of global warming are detrimental to shipping.

## Finding another way

As the world warms and sea ice retreats, waters previously icebound year-round have become navigable in the summer season. The ongoing advance of global warming and receding of sea ice means these routes are viable for more of the year and accessible to vessels with lesser ice-class reinforcement. These trends are expected to continue.

In 2023, China's NewNew Shipping Line made headlines operating the first regular container service via the Northern Sea Route (NSR) which runs along Russia's northern coast. Four vessels served the route, connecting Qingdao in China

to St Petersburg in Russia between July and December.

The vessels on NewNew Shipping Line's NSR service ranged between 1,700 teu and 3,600 teu, were ice breaker escorted, and had ice class ratings ranging from Arc 5 on the high end to Ice 1 on the low end under the Russian Maritime Register of Shipping rules, approximately equivalent to International Association of Classification Societies (IACS) Polar Rules ISS to IS4.

A signal of the commercial success of the venture, the container line said it planned to add up to 10 vessels to the service in 2024.

A similar opportunity for an Arctic shipping shortcut is available on the north coast of Canada, where the opening of the Northwest Passage will provide another route between major trading partners. Of the 42 vessels that transited the Northwest Passage in 2023, 13 were commercial vessels, according to figures from the University of Cambridge's Scott Polar Research Institute.

Both the total number of vessels and the number of commercial transits in 2023 were records, and the data stretching

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**Jan Hoffman, Head of Trade Logistics at UNCTAD**

back to 1903 shows increasing shipping activity over time and a rapid acceleration in the 21st century.

The commercial incentive to sail North comes from the promise of shorter voyage times and significant fuel savings. Transiting these emerging routes will however come with higher insurance costs, present significant environmental risk to the Arctic region, and place vessels in areas where support and emergency response may not be in place.

Widespread adoption of the routes remains doubtful. "In spite of some hype around the Northern Sea Route, I believe that we are a long way from benefiting from this option for significant volumes of transit," said Hoffman, noting trade

between Asia and Europe will continue to go "mostly through the Suez".

Sand gave the Northern Sea Route similarly short shrift: "It's not a viable commercial route. I don't see a particularly bright future for container shipping via NSR nor the Northwest passage. The idea behind it rests on subsidies, geopolitics and subpar understanding of how container shipping works."

The world's changing climate has a demonstrable impact on current trade flows and the capacity to rewrite shipping routes in the coming decades, creating winners and losers as voyages lengthen or shorten and disruption works its way through the supply chain.

The resilience of global supply chains and the future of international commerce now hinge on how effectively the world navigates these uncharted waters of a changing climate.

For the shipping industry, medium and long-term planning must consider the [business impacts of climate change](#) as well as the tools available to minimise our own climate impact.

# ICS in Action

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

## ICS launches principles to combat harassment and bullying

ICS launched a set of industry principles for establishing effective measures to combat and eliminate harassment and bullying at work on 21st February. The principles have been published against the backdrop of a report by the International Labour Organization (ILO) – alongside Lloyd's Register Foundation (LRF) and Gallup – [on experiences of violence and harassment at work](#).

Along with five high-level principles, there are eight detailed principles that include suitable policies and complementary measures. The publication cites examples of behaviours that constitute harassment and bullying and provides guidance on fostering a positive work culture on board. They emphasise the value of establishing unambiguous company complaints and management procedures that cover shore-side and all shipboard departments.

ICS submitted the principles to ILO and the International Maritime Organization (IMO) ahead of the joint ILO/IMO Tripartite Working Group meeting on 27th-29th February 2024. Download the industry principles [here](#).

## Shipping industry calls for the release of Galaxy Leader crew

19th February marked the three-month anniversary since the Houthis seized the Galaxy Leader vessel in the Red Sea.

The maritime industry has jointly called on the Houthis to release all 25 members of the crew of the Galaxy Leader and declared the ongoing aggression against shipping as a major concern.

The full list of co-signatories to this statement can be found [here](#).

## ICS submits Zero Emission Shipping Fund proposal to UN IMO

ICS, together with the Governments of Bahamas and Liberia, has submitted a detailed proposal to IMO to accelerate the transition of the global commercial shipping fleet to net zero greenhouse gas (GHG) emissions by 2050, with the creation of a Zero Emission Shipping Fund (ZESF).

In line with the IMO agreement last year to establish a maritime GHG emissions pricing mechanism by 2025, ships will make flat rate contributions per tonne of GHG emitted to the ZESF. The purpose of the ZESF is to fund rewards for the use of zero/near/-zero marine fuels by closing the cost gap with conventional fuel oil, while also providing billions of US\$ to support maritime GHG programmes in developing countries.

The proposal sets out in detail the necessary regulatory architecture to establish a ZESF Fund and Reward (Feebate) Mechanism, the immediate purpose of which is to achieve the IMO goal for 5 to 10% of the energy used by shipping to come from zero/near-zero sources by 2030 so that reaching net zero by 2050 remains achievable and plausible.

ICS has provided IMO with a detailed impact assessment by research analysts Clarksons which suggests the contribution rate to the ZESF can be set at a level which will avoid disproportionately negative impacts on trade and the economies of IMO Member States.

The full proposal can be read [here](#).

**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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## ICS Maritime Barometer have your say

The 2023-2024 ICS Maritime Barometer survey is live. Alongside continued year-on-year tracking of wider risk factors and progress on decarbonisation, there is a special focus on 'Addressing Risk Through Nearshoring, Reshoring, Offshoring and Friendshoring'. [C-suite level leaders across the maritime industry are invited to complete the anonymised online survey by 19th April. It takes just 15 minutes to complete and is available here.](#)