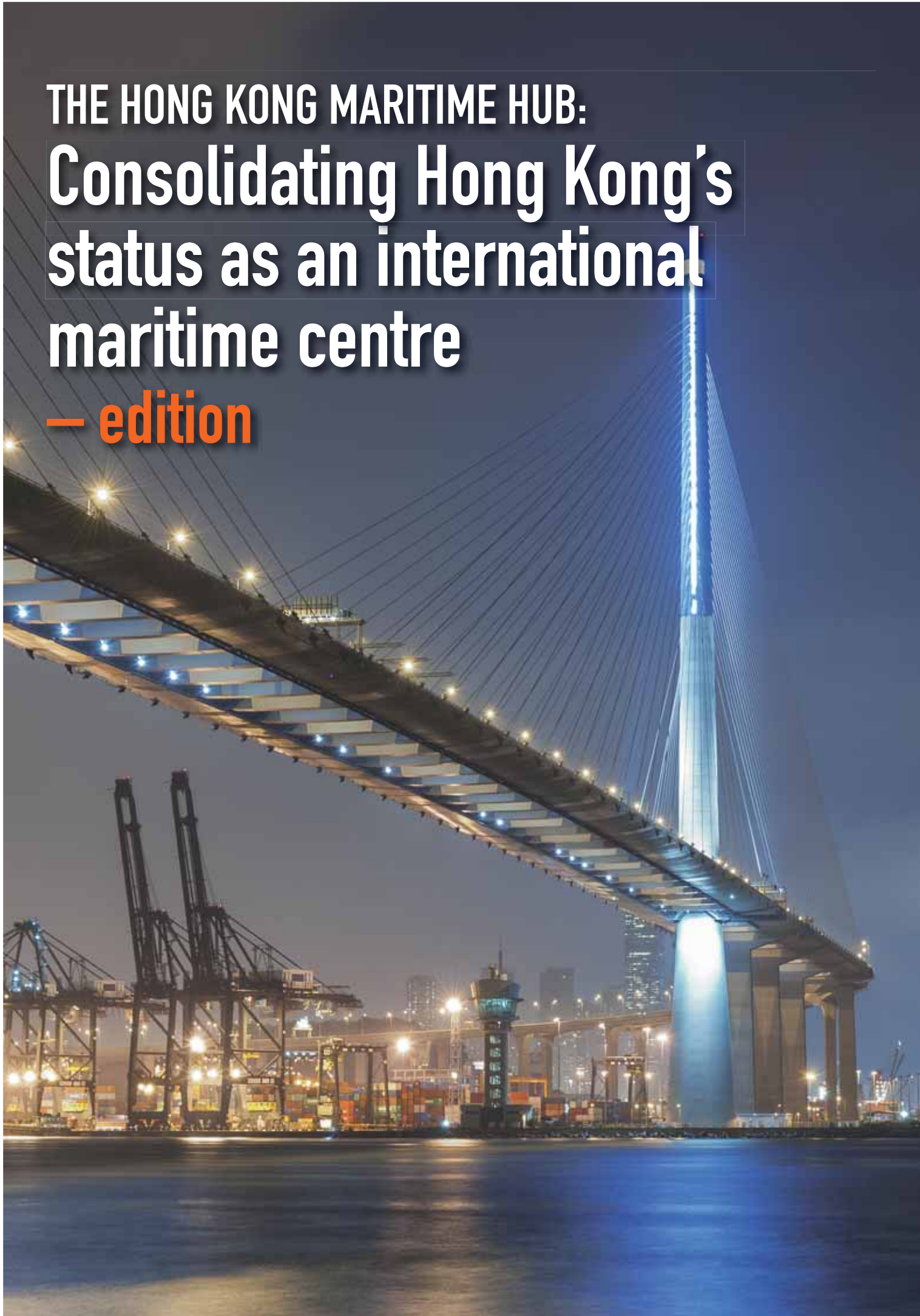


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HONG KONG MARITIME WEEK 2024 – THE TIPPING POINT

This year's Hong Kong Maritime Week (17-23 November) arrives at an auspicious time for the international maritime centre.

In 2025 Hong Kong is expected to undertake its first LNG ship-to-ship bunkering operation. Nothing unusual, you might say, given the large number of ports both regionally and globally that have provided such a service for several years.

In this instance, the entry into LNG bunkering is merely a curtain raiser for its more ambitious plans to become a green maritime centre. As the first vessel fills its tanks with LNG, Hong Kong would have promulgated its Action Plan on Green Maritime Fuel Bunkering. The building of green fuel bunker terminals will coincide with support initiatives to encourage the terminal's use, cooperation with ports in the Greater Bay Area, and the adoption of green shipping corridors with major trading partners.

Again, you might say, Hong Kong would not be unique in providing a green fuels hub. But at least for the next ten years or more it will be uniquely placed to supply the region. China is the number one producer of biowaste globally, which amounts to a huge market opportunity, which with its ease of access to the Mainland, Hong Kong, will be keen to exploit.

In a further move to augment the maritime centre's gravity toward global shipping and trading partners, Hong Kong will create a commodity trading ecosystem. This is no airy dream on a wish list. As a result of work behind the scenes, a substantial international commodity exchange has already expressed interest in getting the ball rolling.

Hong Kong's role as the premier financial centre in Asia has served the needs of the maritime community well over the years. But the relative absence of a substantial commodity trading presence had been seen by the maritime community and others as

a stubborn inhibitory factor in the growth of the shipping cluster. With the placing of this final piece in the jigsaw, many now feel secure enough to envisage that, within five years, Hong Kong will be a fully integrated trading hub offering the attractions of commodity and bunker trading that will lure more and more ships (and high value-added professional services) to the territory.

Currently, Hong Kong is reaping the benefits of its tax concessionary measures, introduced from 2020 through 2022, for ship leasing business, marine insurance, ship management, ship agency, and shipbroking. According to government estimates these high value added segments of the shipping business grew in terms of economic contribution by nearly 40% between 2019 and 2022.

The Hong Kong Government has decided that there is ample appetite to attempt another bite of the cherry and is now exploring the possibility of extending its fiscal largesse in the enhancement of the existing tax relief measures - and extending them to other sectors within the cluster, with a particular eye on incoming commodity players.

This brief survey does not do justice to the full range of initiatives that are queuing up to be expedited.

It's true, in the past, Hong Kong had let things slide as far as properly nurturing its maritime centre was concerned. In the nick of time however, Hong Kong has awoken, and it's in a rush, first to catch up, and then to reclaim its rightful place at the head of the table of international maritime centres.

There is no better place to witness the transformation than at Hong Kong Maritime Week 2024.

Editor
Mike Grinter

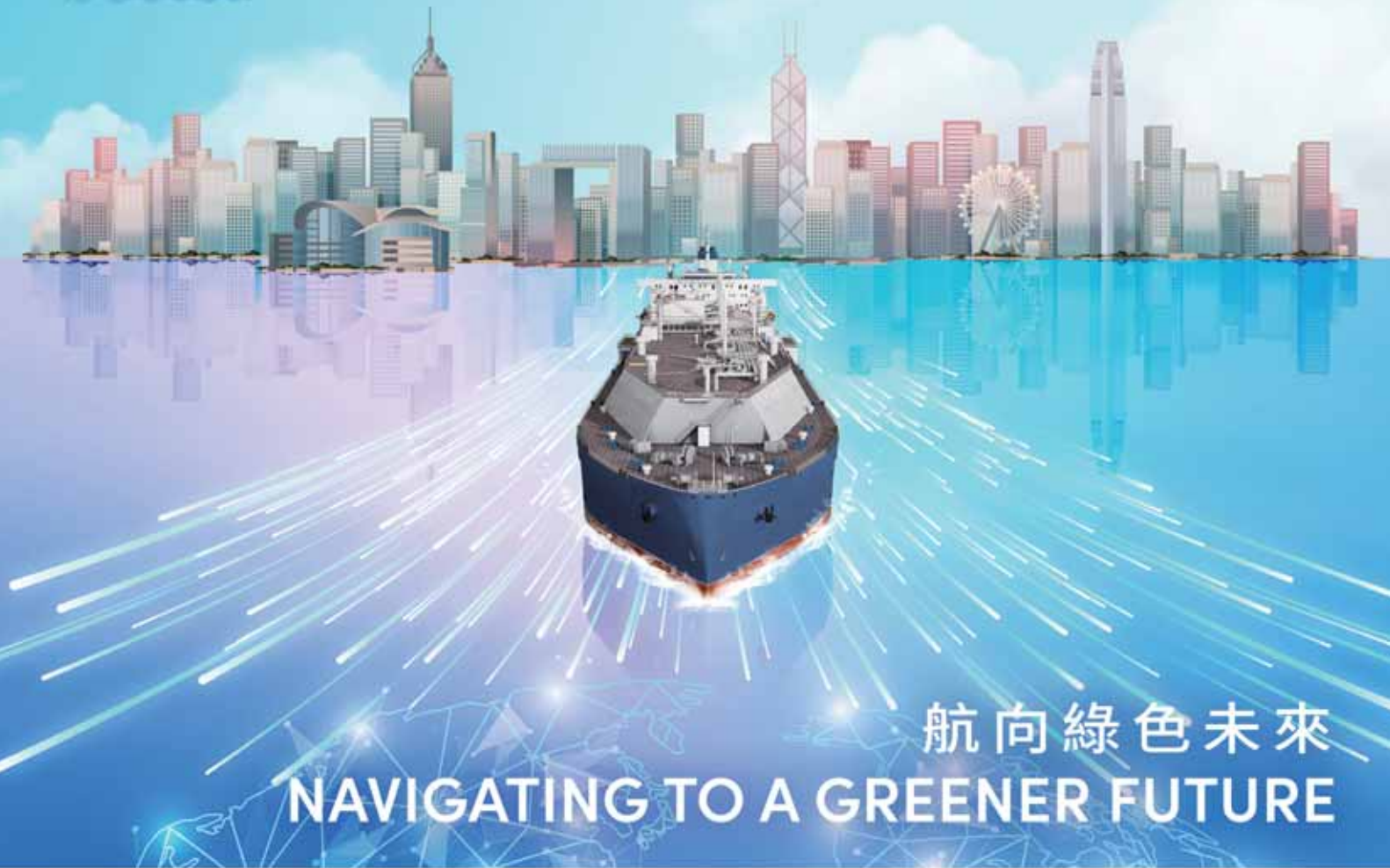
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GREEN MARITIME CENTRE TOPS A RAFT OF INITIATIVES TO CONSOLIDATE HONG KONG'S IMC STATUS

Chairman of the Hong Kong Maritime and Port Board's Maritime and Port Development Committee, Captain Bjorn Hojgaard, applauds a wave of enhancement measures unleashed during the 2024 Policy Address

The 2024 Policy Address announced a myriad of policy initiatives to promote the development of the maritime industry and foster Hong Kong's position as an international maritime centre (IMC). What is the sentiment of the trade towards the initiatives?

This year's Policy Address included a substantial section on international shipping and Hong Kong's place within this, with detailed and forward-looking initiatives for consolidating Hong Kong's strengths in the maritime industry. These include:

- a. reconstituting the existing Hong Kong Maritime and Port Board (HKMPB) into the Hong Kong Maritime and Port Development Board (HKMPDB);
- b. promoting the development of high value-added maritime and professional services;
- c. developing Hong Kong into a green maritime centre;
- d. attracting the presence of more commodity traders to Hong Kong to drive more demand for our maritime services; and
- e. developing a smart port via the installation of a port community system.

I fully support the initiatives outlined in the Policy Address to further strengthen Hong Kong's position as an international shipping centre. These measures align with the evolving needs of the industry. We particularly welcome the government's commitment to fostering maritime talent, enhancing tax concessions for ship management and marine insurance, and advancing green fuel bunkering solutions. These measures will undoubtedly contribute to the sustainable growth of Hong Kong's maritime sector and its global competitiveness.

I believe that the trade stands ready to support these efforts and look forward to working together with the Government and other stakeholders to drive innovation and sustainability in our shared maritime future.

The feasibility study on bunkering of green fuels in Hong Kong has either been completed or is near completion. Any thoughts on the development of green fuel bunkering in Hong Kong? Also, what role do you expect the Government will play in the implementation of the feasibility study findings?

Hong Kong, as an Associate Member of the International Maritime Organization (IMO), has to ensure that its local laws



Bjorn Hojgaard Chairman of the Maritime and Port development Committee

align with the latest IMO standards on environmental protection, including the ambition of reaching net-zero carbon emissions by 2050. It is important for Hong Kong to prepare for maritime decarbonisation and follows the global trend of adopting green maritime fuels to do just that. Meanwhile, as the global shipping industry goes green, the provision of green maritime fuel bunkering services in Hong Kong is essential for supporting this shift and will play a big role in enhancing and maintaining Hong Kong's status, competitiveness and relevance as an international shipping centre.

We appreciate that the Government has been taking forward relevant initiatives on multiple fronts. For example, I note that the Government has commenced a feasibility study on providing green maritime fuel bunkering for both local and ocean-going vessels, and is expected to share an Action Plan on Green Maritime Fuel Bunkering before the end of 2024. It is also making preparations for providing LNG bunkering for ocean-going vessels and the first ship-to-ship LNG bunkering should happen within 2025, which is no doubt good news to the industry.

The trade has been working with the Government closely in implementing these initiatives. With my fellow members of the Maritime and Port Development Committee (MPDC), I keenly look forward to the deployment of these policies and measures alongside closer collaboration between the Government, industry and other stakeholders.

The possibility of further tax concessions has been raised in the Policy Address. Any thoughts on this and/or the possibility of further sweeteners? Attracting commodity houses also been raised as an aim. Why is this and what will be the approach?

Regarding the possibility of further tax concessions, the HKMPB has set up a Task Force on Maritime Business Tax Incentives for assessing any room for enhancement of the existing tax incentives for the shipping industry and exploring the viability of introducing new tax incentives for other key maritime industry players.

I fully support the review as the trade is mindful that our tax regime needs to stay competitive as compared to other jurisdictions to retain and attract more maritime services business to Hong Kong. The Task Force is also reviewing whether and how to introduce new tax deductions in compliance with new international rules to ensure the competitiveness of Hong Kong's tax regime.

On the other hand, attracting physical commodity traders is another major study area of our Task Force. This aligns with the view of the trade that there is merit in attracting the presence of major physical commodity traders to Hong Kong with more attractive tax packages, so as to drive the demand and business opportunities for the maritime service clusters. I am glad that the Government is working towards this direction through a study with the Task Force under the HKMPB.

In relation to efforts to revive the port's fortunes, do you think the Government and the trade still affirm the importance of the port to the vision of a successful international maritime centre. (There is a school of thought in Hong Kong's maritime industry that handling vast numbers of containers at the port is no longer necessarily the essence of what it is to be a thriving IMC). Could you outline the TLB and HKMPB's role in striving for new sources of cargo for the port.

I truly believe that Hong Kong is still a vibrant international maritime centre. Our port's strengths are diverse and should not be just measured by container throughput rankings. That said, we need to keep working hard to maintain our throughput in face of strong competition in the region.

We recognise that the changing external environment, increasing competition and shifts in trade patterns pose challenges for us. But we are committed to solidifying our strengths and enhancing our competitiveness in both the port and maritime services. In December 2023, we rolled out the Action Plan on Maritime and Port Development Strategy, which sets out 10



strategies and 32 action measures in four directions: enhancing port competitiveness; strengthening high value-added maritime services; enhancing promotion of the Hong Kong maritime brand and grooming talent; and enhancing the support of the HKMPB to consolidate and enhance Hong Kong's position as a leading international maritime hub.

As part of the Action Plan, the container terminal operators have been encouraged to collaborate more with ports and cities in the Greater Bay Area (GBA). By leveraging each other's strengths, we can enhance the competitiveness of not just Hong Kong Port but the entire GBA port cluster.

Recently, the Secretary for Transport and Logistics led a HKMPB delegation to visit Tokyo in July, and then to Hamburg and Athens in September. We have been actively promoting Hong Kong's unique advantages as a maritime and logistics hub, connecting with a wide range of overseas companies and maritime organisations to showcase what we have to offer. We are also gearing up for another delegation to promote our maritime sector in the Middle East this December.

The trade will work with the Government to continue taking forward all sorts of action measures to further grow Hong Kong as an international maritime centre, including through promoting smart port development and developing Hong Kong into a green maritime fuel bunkering centre.

We are also committed to strengthening our external promotion work and organising large-scale events. I am particularly excited about the Hong Kong Maritime Week this November, which will be scaled up with more participation from international organisations in particular the Global Maritime Trade Summit organised by the International Chamber of Shipping. I strongly believe that Hong Kong's maritime industry has a lot to offer, and we should continue to showcase our strengths to the world.

VITAL RESOURCES INJECTED TO BETTER TACKLE INDUSTRY'S WORKFORCE SHORTAGE

Timothy LEE Kwok-lam Chairman of the Manpower Development Committee, discusses the latest developments in ensuring manpower readiness and the growth of cross-border training opportunities

According to the Action Plan your committee, along with the industry, face significant challenges in recruiting a sufficient workforce for the maritime services sector. What are the challenges and what strategies will be adopted in recruiting a sufficient workforce for the industry?

Similar to other industries, the maritime industry is also facing difficulty in recruiting a sufficient workforce, in particular among the younger generation, to sustain its competitiveness. We acknowledge that the maritime services industry is a highly specialised industry which requires significant investment in time and resources to train up a pool of maritime practitioners and professionals. Notwithstanding that there are ample job opportunities, sufficient incentive and support should be in place to attract new blood to join and pursue their career in the industry and support its vibrant growth.

Throughout the years, we have spared no effort in working with the Government in formulating strategies to facilitate manpower development in the industry. We have proposed various measures to enhance the schemes under the Maritime and Aviation Training Fund (MATF) in the provision of (a) training subsidies and scholarships to students, and in-service practitioners to attend relevant training courses; (b) incentives to companies to provide internship to students; (c) financial support to the training institutions to organise relevant training programmes or courses. The MATF also provides sponsorship to industry organisations in organising promotional activities for the general public and students with a view to attracting more potential new forces or talents to join the industry.

The Action Plan promulgated in December 2023 provides a framework and related strategies in promoting the maritime industry to the younger generation and encouraging in-service practitioners to upskill themselves as professionals. From the training and development perspective, we strongly support the Government to explore maritime talent exchange with institutions within the Greater Bay Area (GBA). We advocate the collaboration between the local and non-local training institutions in the GBA through the organising of exchange events or arranging the exchange of professional teaching staff such that the latest knowhow or skillset in the maritime industry can be gained by the target recipients



Timothy LEE Kwok-lam
Chairman of
the Manpower
Development
Committee

through the training courses, conferences or seminars. Locally, we would encourage the training institutions to partner with the industry to promote the continuous learning of students and in-service practitioners in particular on environmental, social and governance (ESG) with a view to equipping the local industry with a pool of well-trained talents to meet future challenges.

From the resource management perspective, we shall continue to review the efficiency, flexibility and preciseness of the various schemes under the MATF with a view to attracting or cultivating maritime talents for the industry.

Other than attracting new blood to join the industry, we also treasure the contributions of the in-service practitioners or professionals to the industry. On this basis, we are planning to launch some recognition programmes for outstanding practitioners or young professionals in various regimes in the industry with a view to promoting the professional image of the maritime-related careers.

2023 was a significant year for the MATF. An additional HK\$200m was added to the pot and the new Maritime Services Training Scheme (MSTS) was launched. Could you describe the significance of these two events 19 months later, in terms of a widening of the scope of the MATF subvented activities, and the success of MSTS?

The injection in 2023 signified the Government's commitment to manpower development of various domains of the industries, i.e. maritime, aviation and logistics sectors, in order to enhance Hong

Kong's competitiveness as an international maritime centre as well as aviation and logistics hub. Soon after the injection, we had endorsed the enhancement of the subsidy level of three schemes under the MATF (namely, the Sea-going Training Incentive Scheme, the Local Vessel Competency Enhancement Scheme and the Ship Repair Training Incentive Scheme) with a view to providing more incentives to attract the younger generation to take up sea-going training or apprentices in ship repair industry, and the in-service practitioners to acquire vocational or professional qualifications. All enhancements came into effect in December 2023.

The MSTs, which was rolled-out in September 2023, aimed to incentivise participating law firms or barristers to provide traineeship for young people who aspire to a career in maritime law, a highly specialised stream in the legal field, with a view to nurturing more home-grown maritime lawyers and pursuing and enhancing Hong Kong's high value-added maritime services. Since its implementation, the Committee has received a total of seven applications in which six of them were approved and one is under processing. Although the number of applications did not seem to be as overwhelming as other schemes under the MATF, we consider that the number of applications reflected that the Scheme has gained the attention of the legal sector notwithstanding that maritime law is not as common as other streams in the legal sector.

We fully acknowledge the potential of the MSTs in supporting the development of high value-added maritime service and a Working Group has been formed to examine the potential for expanding the scheme to marine insurance.

Could you advise what role the Committee has in encouraging greater maritime talent exchanges within the GBA?

The members of the Committee have all along been adopting a proactive role in identifying and proposing different measures in enhancing the skills of the in-service practitioners to meet the needs of the industry. On the understanding that many maritime training institutions in the GBA have well-defined programmes for training maritime personnel which are relevant and useful in facilitating the maritime manpower development in Hong Kong, we have given full support to the Government to proactively explore the opportunities to exchange and collaborate with the concerned non-local training institutions in the GBA with a view to facilitating knowledge, skill sharing, and training as well as talent exchange.

Taking green shipping as an example, our members are well aware that the training institutions in the GBA have well-developed and comprehensive training programmes on green shipping and hence they support the Government to explore more training opportunities for local practitioners in the GBA. At present, MD



Cadets go through their paces at Hong Kong's Maritime Services Training Institute

has recognised eight courses on green shipping organised by the training institutions in the GBA for the local practitioners to apply for, and will continue to identify more courses of this kind to meet the industry need. In anticipation of the increasing training need, we also support the Government to encourage the local training institutions to collaborate with their counterparts in the GBA on talent exchanges with a view to organising more training courses on green fuel locally. With the concerted efforts of the Government, the industry and the local and non-local training institutions, we believe that the practitioners and students will soon be equipped with the required knowledge and skills to meet the challenges and changing demands associated with the vibrant development of green shipping.

The 2024 Policy Address stated that the Hong Kong Maritime and Port Board (HKMPB) will be reconstituted into the "Hong Kong Maritime and Port Development Board", a highlevel advisory body to assist the Government in formulating policies and longterm development strategies. Additional funding will be provided, amongst others, to step up manpower training. As the Chairman of the Manpower Development Committee, do you think the reconstitution of the HKMPB will affect the current manpower development policy for the maritime industry?

The reconstitution of HKMPM is an important milestone in sustaining the status of Hong Kong as an International Shipping Centre. We believe that the Hong Kong Maritime and Port Development Board will continue to give their steer to address the training and manpower development for the maritime industry. In face of the vibrant growth of the maritime industry, a high-level steer and targeted manpower policy is particularly important in facilitating the training of practitioners and nurturing the talents from various sectors of the maritime industry, both for the operational personnel and the high value-added maritime services.

HONG KONG MARITIME WEEK WELCOMES THE WORLD

Wellington Koo Chairman of the Promotion and External Relations Committee, tells how Hong Kong Maritime Week is gaining increasing support from the global shipping community

Hong Kong Maritime Week (HKMW) has grown over the years into a world class maritime event. How has this helped to attract the support of global maritime organizations, and the most high-profile event organizers? Will the smaller players continue to be an important part of the Week going forward?

The growth of HKMW into a world-class maritime event has significantly enhanced its appeal to global maritime organisations and high-profile event organisers. For example, in addition to the 11 long-standing support organisations, the International Association of Dry Cargo Shipowners (INTERCARGO), the International Association of Independent Tanker Owners (INTERTANKO), and the World Shipping Council (WSC) have committed their staunch support for HKMW 2024 for the very first time.

Furthermore, the inaugural Hong Kong Global Maritime Trade Summit, organised by the International Chamber of Shipping (ICS), will debut during HKMW 2024. This summit will bring together top-tier industry leaders, policymakers, representatives from leading international organisations, and experts from various maritime sub-sectors worldwide to discuss solutions for the challenges facing the global maritime industry. Meanwhile, International Maritime Organization (IMO) will for the first time present a forum to discuss the important role of the ship recycling industry as a result of the impact of greenhouse gas reduction objectives agreed at IMO. Experts in financial and ship recycling sectors will gather in Hong Kong to discuss the solutions which help the transformation of the industry.

The participation of global maritime organisations at HKMW has been instrumental in elevating the event's status and reinforcing Hong Kong's position as an international maritime centre. These organisations bring expertise, resources, and a wealth of knowledge, which enriches the discussions and activities during the Week.

Regarding the role of smaller players, they will continue to be a vital part of HKMW going forward in particular the involvement of the younger generation and members of the public. The maritime industry is made up of a diverse range of stakeholders, and smaller companies often bring innovative solutions and fresh perspectives that are crucial for the industry's evolution. The events organised by these players can usually outreach to different sectors of the



The growth of HKMW into a world-class maritime event has significantly enhanced its appeal to global maritime organisations and high-profile event organisers

community with a view to raising their awareness of Hong Kong's maritime industry. By including these players, HKMW ensures a comprehensive representation of the sector, fostering an inclusive environment that encourages collaboration and innovation across all levels of the industry. Their participation not only enriches the event but also supports the overall growth and resilience of the maritime community.

The Action Plan on Maritime and Port Development and the 2024 Policy Address has very much upped the ante on Hong Kong maritime promotion on the Mainland and overseas. Presumably this will call upon the inclusion of more members of our maritime community. Will HKMPB be reaching out to them? Please also give a summary of the promotion activities.

Enhancing the promotion of the Hong Kong maritime brand to both the Mainland and overseas maritime communities is among the four directions in the Action Plan. The 2024 Policy Address



Industry leaders and Government officials opened Hong Kong Maritime Week 2023

also mentioned that the Government will organise more major events with international maritime organisations and enterprises to showcase to the world Hong Kong's maritime strengths. The HKMPB is committed to enhance exchanges and cooperation with port and maritime stakeholders around the world. This year, HKMPB completed two promotional visits to Japan (i.e. Tokyo) in July and Europe (i.e. Hamburg and Athens) in September; and will continue to carry out promotion work through attending the Greater Bay International Maritime Conference 2024 in November and visiting the Middle East, the crossroads of global trade routes, in December to showcase Hong Kong maritime strengths to the world.

Overall, the two promotional visits to Japan and Europe were very fruitful. Best endeavours were made to maximise exposure of the Hong Kong maritime industry at the SMM Hamburg trade fair, one of the world's leading trade fairs for the maritime industry. In other efforts to inform international audiences, both Japanese and European port authorities, companies and shipowners' associations were briefed on Hong Kong's latest developments as an international maritime centre and a gateway to the Mainland market. Connections with the international maritime communities were built, renewed and reinforced, with the importance of Hong Kong underscored.

Apart from external promotion, the HKMPB is working at full steam for the upcoming Hong Kong Maritime Week 2024 in November. The anchor events this year include the high-level Hong Kong Global Maritime Trade Summit organised by ICS, the World Maritime Merchants Forum 2024 and the Asian Logistics, Maritime and Aviation Conference hosted by the China Merchants Group and the Hong Kong Trade Development Council respectively. Meanwhile, we have also provided sponsorship to the Hong Kong Shipowners Association for hosting the 2024 International Shipping Forum held in May this year, which

successfully brought together over 350 participants including overseas industry leaders to Hong Kong to discuss critical issues in the shipping industry.

Could you name the specifically targeted markets for HKMPB overseas promotion of Hong Kong's IMC, the nature of the HKMPB campaign, and describe why you see greater potential in said markets?

In the past decades, there has been an obvious shift of International trade from the West to the East, and to Mainland China in particular, which has made Hong Kong – strategically positioned as the gateway between Mainland China and the rest of the World – a natural and appealing springboard for overseas companies to tap into the vast market in the Mainland.

Against this backdrop, whilst we endeavor to maintain our transshipment port status and international maritime services along the Far East Trade Route, we will further tap into the thriving markets in the Association of Southeast Asian nations (ASEAN), the Middle East (e.g. Dubai) and the Belt and Road countries (e.g. Peru, Morocco, Oman), which are major stops on the regional trade routes or global trade routes between the East and the West, so as to fully leverage our role of super-connector between the Mainland and the rest of the world.

As a first step, HKMPB will be paying a visit to the Middle East in December this year to promote our maritime brand to the port and maritime communities there, with the object of forging ties with Middle East companies and apprising them of our highly-connective ports and internationally renowned maritime services. The future Hong Kong Maritime and Port Development Board, to be set up by reconstituting the HKMPB as announced in the 2024 Policy Address, will also step up promotion efforts to the world with the support of a dedicated team.

OPERATING ON THE FRONTLINE OF GLOBAL CHANGE

The increasingly burdensome task of operating a ship still has one upside, claims veteran shipping journalist Keith Wallis

Who would want to be a shipowner or operator in this day and age of terrorist attacks, government sanctions, supply chain disruptions and increasing environmental regulation that affect day-to-day ship operations?

One might think operating a ship might be stressful enough given issues such as crewing, maintenance, rising operating costs, collisions, and charter and cargo disputes, without the added burden of facing events outside an operator's control.

Perhaps that's why ship management and P&I insurance were developed!

But the recent US East and Gulf coast dockworkers strike and ongoing Middle East crisis highlight the growing challenges facing ship owners and operators.

These and other issues such as sustainability affecting supply chains will be considered in a series of sessions during the Asian Logistics, Maritime and Aviation conference (ALMAC) and World Maritime Merchants Forum, keynote events during Hong Kong Maritime Week.

While the US ports strike only lasted three days before the International Longshoremen's Association and terminal operators' group, the US Maritime Alliance, reached a tentative pay agreement, it still led to around 60 container ships waiting to dock.

Peter Sand, chief analyst at online pricing platform Xeneta, thought it would take up to three weeks for cargo flows to return to normal. With East and Gulf coast ports handling around half of US

in and outbound container flows, carriers including Hapag-Lloyd and Ocean Network Express said it was impossible to divert that level of cargo volume to other ports on the US West Coast, Mexico or Canada. Consequently, vessels had to wait out the dispute, with carriers hoping it could be settled quickly.

Neither has the threat of further disruption disappeared because the current pact only extends to January to allow further talks to take place and a final agreement made. If January's deadline comes and goes with no deal, then it's possible container lines will face further delays.

Potential for further disruption

Escalating tensions in the Middle East, following Israel's attacks in Lebanon and Syria, could lead to the closure of the Bab al-Mandab Strait, the main chokepoint for shipping transiting the Red Sea between the Indian Ocean and Mediterranean. Yemen-based Houthi rebels have previously threatened to close the strait, also known as the Gate of Tears. With the strait forming part of the main export route for Saudi Arabian crude oil, closure of the route could result in extended grief for tanker and dry bulk markets as well as create turmoil in oil markets and the wider global economy. Drewry estimated a shipping halt could disrupt almost 9% of global dry cargo demand.

Shipowners and operators have largely bypassed the Red Sea and Suez Canal since Houthi rebels launched the first missile attacks against shipping in October last year. While ship operators continued to brave "missile and drone alley" for some transits, the intensification of attacks in the closing months of 2023 led firms to divert most shipping around southern Africa. The resulting disruption added two to three weeks in sailing time to shipping schedules and led carriers, particularly container lines, to alter port calls to accommodate the new routings.

Consequently, ports such as Tanger Med and Barcelona in the western Mediterranean have become the new transshipment hubs which has created new problems of port congestion and vessel delays.

Sustainability affecting supply chains will be considered during the Asian Logistics, Maritime and Aviation conference (ALMAC) and World Maritime Merchants Forum during Hong Kong Maritime Week

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Good news for container lines

While the Cape of Good Hope diversions have been good for container lines, helping to fully soak up the 4m teu of capacity delivered since the beginning of last year, according to Alphaliner, it has caused disruption. The longer transits meant it became harder to maintain service schedules and while container lines now tweak sailings, increase vessel speeds and omit port calls, to maintain schedule reliability, diversions are causing vessels to bunch together on arrival at ports.

This has caused supply chain disruption almost akin to that seen during the pandemic crisis of 2020-22. Then it was locked down consumers splurging on online shopping which led ships full of consumer goods from Asia to arrive at ports in Europe and North America beset by labour shortages as employees stayed home sick. Consequently, container ships had to wait days and weeks to be unloaded as container yards became jammed with cargo because there were not enough port workers, truck and train drivers to handle the volume of freight.

Regulatory headaches

Regulatory authorities are also playing their part in creating headaches for the shipping industry, with international sanctions possibly being the biggest challenge the shipping industry needs to navigate.

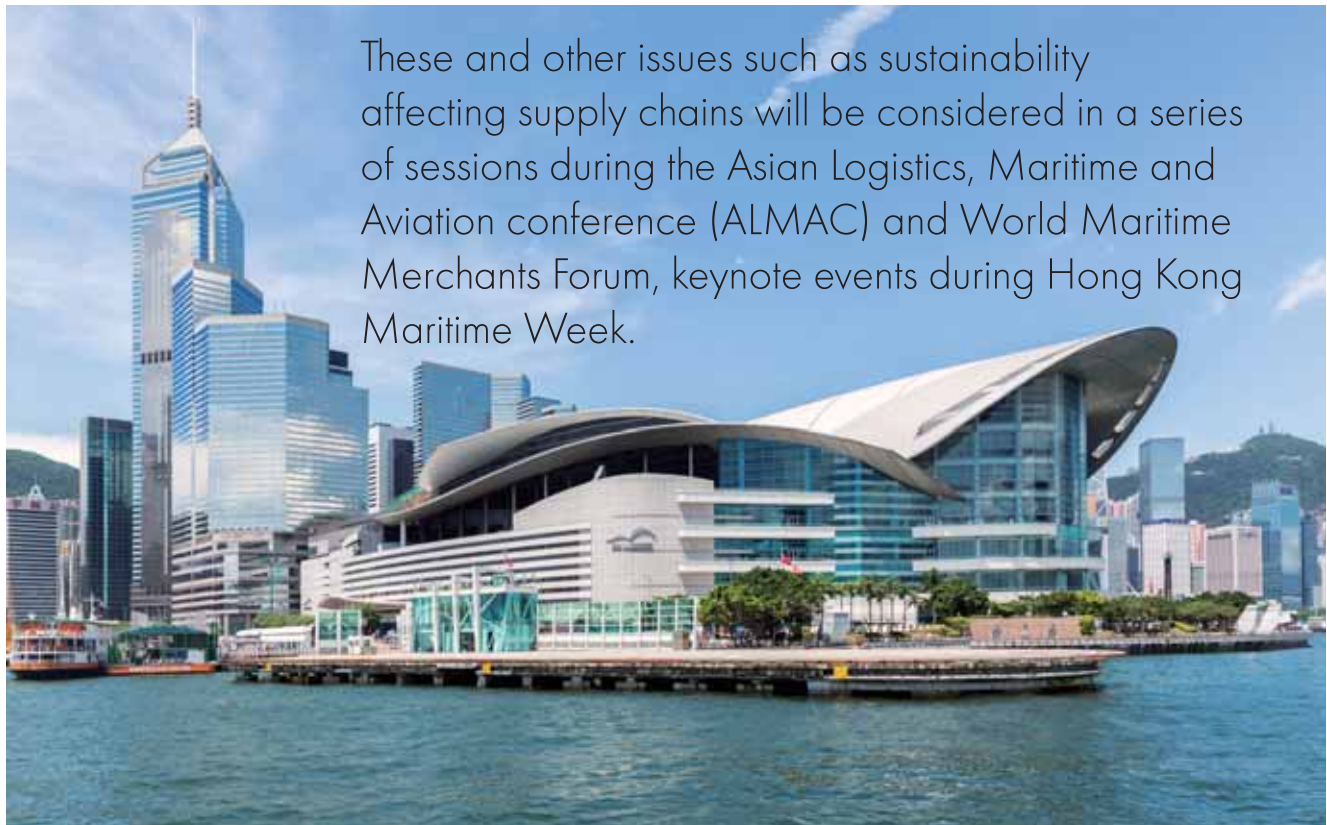
The situation is complicated because national authorities have imposed sanctions that are not recognised by other countries even though compliance with those sanctions can be critical in international trade.

The United Nations has imposed sanctions against 14 countries including Iran, Iraq and North Korea. In all, the current UN sanctions list contains 669 individuals and 193 entities and other groups.

Additional burdens

The US, European Union and the UK are among countries and bodies that have imposed their own sanctions. The US, through the treasury department’s Office of Foreign Assets Control, has nearly 50 sanctions programmes in place targeting jurisdictions both on the UN list and including others such as Hong Kong and China that aren’t. In all, OFAC’s latest list of sanctioned individuals and companies, dated October 2, runs to nearly 2,750 pages.

Consequently, governments in places such as Hong Kong and Singapore recognise UN sanctions, potentially enforcing those against entities named by the US, but not those imposed by the US, EU or UK. Legal experts said this creates a minefield because firms dealing in Hong Kong or Singapore with those entities sanctioned by the US or EU could face action themselves.



These and other issues such as sustainability affecting supply chains will be considered in a series of sessions during the Asian Logistics, Maritime and Aviation conference (ALMAC) and World Maritime Merchants Forum, keynote events during Hong Kong Maritime Week.



The situation is complicated because national authorities have imposed sanctions that are not recognised by other countries even though compliance with those sanctions can be critical in international trade

The troublesome world of sanctions enforcement in Hong Kong was highlighted in a recent 62-page report, *Beneath the Harbour*.

In 2022, Maersk, CMA CGM and Singapore's Pacific International Lines reevaluated their trade links with Iran after the US reimposed sanctions on Iran over its nuclear programme amid concern they could face punitive action in the US. UN sanctions at that time hadn't been reimposed.

The burgeoning regulatory regime targeting greenhouse gas emissions and shipping's overall environmental performance is a further challenge although for once the shipping industry has faced the issue head-on by seeking engagement with authorities.

CII proving controversial

This process has not always worked with the IMO's controversial Carbon Intensity Indicator (CII) being an on-going source of complaint in the way it has been implemented. This includes its focus on the carrying capacity of a ship and fuel consumption, rather than whether the ship was empty or laden. The IMO is carrying out a review of the CII system which is due to be completed in January 2026.

The EU is adopting its own emissions-based regulations including the equally controversial emissions trading scheme in which operators currently pay a levy based on vessel carbon dioxide emissions. This will be widened to cover emissions of methane and nitrous oxide when ETS is fully implemented in 2026.

The EU is currently working on its Fuel EU Maritime directive to stimulate the use of sustainable fuels and which could come

into force in 2025. Under the regulation, the EU will set a limit on the annual average greenhouse gas intensity of the fuel burned by ships meaning the only way operators can comply is by using alternatives like biofuel, LNG or methanol.

Being in shipping for the money is no sure way to riches either with charter rates in most tanker and container ship sectors now lower than they were about 18-20 months ago, according to shipbroker Clarksons. Even though rates for dry bulk vessels are more lucrative now while those for the niche vehicle carrier market are the highest on record, charter rates are subject to wild fluctuations, fuelled by cargo demand and vessel supply.

It wasn't so long ago that the tanker and dry bulk markets were in negative territory, with rates below break-even levels. While vehicle carrier spot charter rates are around \$90,000-\$100,000 per day, fuelled partly by record car exports from China, there is doubt how long that party will last with the European Union imposing tariffs of 45% on China's electric vehicles.

Some consolation

So why be a shipowner or operator? Well, as one noted Hong Kong shipowner pointed out, money from shipping doesn't come from charter hire earnings or freight rates (unless there are extraordinary events like pandemics), it comes from asset playing the ships, particularly when markets are good. As a case in point, another Hong Kong owner more than doubled their money within the space of four years after buying and later selling a 150,000 dwt Capesize bulk carrier.

CROSS-BORDER COOPERATION AND SUPPORT AT THE HEART OF NEW MARITIME BODY

Hong Kong's international maritime centre has gained a significant boost to its ambitions with the launch of the Hong Kong Chamber of Shipping

Launched at a ceremony in October 2024, the Hong Kong Chamber of Shipping (HKCoS) is led by seasoned Chinese leaders from industry and Government from both sides of the border. As such, it has an inborn ability to spearhead cooperation between Hong Kong's international maritime centre (IMC) and Mainland maritime related businesses, government departments and educational institutions.

Founder and chairman of HKCoS, Hing Chao, is the most recent head of the dynastic, ship owner and manager Wah Kwong Maritime Transport Holdings. Wah Kwong has a 72-year history, much of it characterized by ties with Mainland China that have only deepened as the country's maritime capabilities have grown.

Mr Chao took over as chairman of the company shortly after the decision was made to add ship management to its core business of tonnage provision in 2019. In just five years the managed fleet is rapidly approaching triple figures. This is almost entirely down to the deep connections Mr Chao has forged with Chinese shipbuilders and ship leasing houses. Chinese seafarers fill the bulk of Wah Kwong's crewing requirements. Meanwhile, Mr Chao has gained a reputation for turning to Chinese technology when pioneering the latest decarbonization methods such as carbon capture.

Joint founder of the new shipping body, CY Leung brings much needed political influence both in Hong Kong and on the mainland: he was Hong Kong's chief executive from 2012 to 2017 and has held the role of vice chairman of the Chinese People's Political Consultative Conference since 2017. During his term in office as chief executive his suggestion that growth in professional

services for the maritime sector was the right direction for the industry has been the guiding principle for the Hong Kong Government to this day.

Mr Leung's recent contention that Hong Kong's status as an international maritime centre entails an "alignment with national needs, capitalisation on Hong Kong's unique advantages, effective integration with the strengths of the mainland, bridging existing gaps, and refining the national maritime ecosystem, whilst progressing towards the high-value activities in the value chain," amounts to the cornerstone on which, the HKCoS will be built.

A pivotal moment

Highlighting the essentially nationalist nature of the new organization, Mr Leung said:

"The establishment of the Hong Kong Chamber of Shipping marks a pivotal moment, signifying a profound, unified, and comprehensive recognition of the country's needs within the Hong Kong shipping community. It also reflects a collective and thorough acknowledgment of Hong Kong's advantages and roles from relevant sectors across the nation. This occasion heralds a spirit of solidarity, renewed commitment, and significant development within the larger Hong Kong shipping community.

"Our focus must be directed towards significant and practical matters, ensuring effective messaging among the shipping, trade, finance, professional, and educational sectors, as well as with parents and youth. Together, we can support our nation in achieving its aspiration of becoming a robust maritime power and safeguarding our maritime rights," He concluded.

A role along the entire value chain

Mr Chao meanwhile has highlighted the wide ambitions of the HKCoS, reflected in its equally broad membership:

"The establishment of the Hong Kong Chamber of Shipping aims to build a sustainable ecosystem for global trade and shipping, by bringing together key stakeholders along the entire value chain," he said.

"Reflecting this, our membership comprises not only shipping corporations but also companies from the energy, commodities, port, finance, and shipbuilding sectors, as well as high-quality maritime services as represented by classification societies, law



CY Leung, founding member of HKCoS



Hing Chao, founding member and chairman of HKCoS

firms, insurance institutions, ship management companies, etc.

HKCoS aims to provide an important platform for information exchange and cooperation. And foster business opportunities while working towards a common goal to strengthen Hong Kong's position as a centre for international finance, trade, and shipping.

"Through our efforts, we hope to contribute towards Hong Kong's economic prosperity, and to our nation's progression towards a strong maritime and transportation nation," Mr Chao said.

Focus upon national development of green fuels

A focal point for HKCoS in the coming years will be fostering dialogue and partnership across the supply chain to accelerate the development of clean energy and clean fuels. Many industry observers are convinced that China's vast biowaste resources combined with its advanced technical abilities should make it a global leader in the provision of green fuels for at least the next ten years.

"We want to provide a Chinese solution to the decarbonization of the global maritime industry. This will be one of the focal points for the Hong Kong Chamber of Shipping," Mr Chao added.

Education, education, education

Fellow founding member of HKCoS, Lianjun Li, is a partner and head of Commercial and Shipping Litigation Practice at international law firm Reed Smith Richards Butler. Clearly gaining his place at the head table of HKCoS due to his more than 30 years at the apex of litigation and arbitration business, Mr Li has hit the ground running in terms of gaining recognition for the Chamber, as he revealed at the launch of HKCoS.

"We are pleased to report that, at the initiative and with the impetus of the HKCoS, the law faculty of the University of Hong Kong (HKU) and the law schools of Peking University, Shandong University, Xiamen University, Dalian Maritime University, and Shanghai Maritime University have reached agreements in principle to support and participate in the Master of Maritime Law at the University of Hong Kong," he said.

Not content with this legal education coup, with Mr Li's guidance HKCoS looks set to achieve further proposals that will see:

The University of Hong Kong and Peking University jointly provide education to graduate students for a double master's degree. Those who meet the requirements of the University of Hong Kong will be awarded a master's degree in international maritime law from the University of Hong Kong.

The University of Hong Kong coordinate with Xiamen University and Shandong University in its admissions of graduate students for a master's degree in international maritime law.

The University of Hong Kong expand its admissions quota for programs educating students in international maritime and common law with Dalian Maritime University and Shanghai Maritime University.

Hong Kong's cooperation and integration into the maritime ecosystem of Mainland China has been going forward in leaps and bounds since 2020. But this is often only made apparent in the announcement of memorandums of understanding between Hong Kong and the mainland at a government or industry level. With the founding of the HKCoS such cooperation and support will be witnessed in action.

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INDUSTRY GIANTS IN CONVERSATION

On the sidelines of the Asian Shipowners Association AGM in Hong Kong in May 2024, IMO Secretary General Arsenio Dominguez and outgoing Asian Shipowners' Association Chairman and current Hong Kong Shipowners Association Chairman Angad Banga discussed issues of the day

First up for discussion was the growing dominance of Asian maritime across all industrial capabilities, and its potential to spark a similar push back from the West as has been seen in other trade disputes.

As with other sectors of commercial and industrial endeavour, Asia and specifically China have become increasingly dominant in the hardware of shipping. China is now far and away the largest shipbuilder in the world, while the Chinese fleet, is only rivalled by that of Greece. Conversely, there is a perception that the voice of Asia in global policy making for shipping fails to reflect its dominance at sea.

Who, therefore, needs to step up to the plate with the dual task of boosting the influence of the region at IMO and other global agencies while placating an increasingly edgy West determined to decouple at the commercial level? – witness the US bipartisan 'Ships for America Act' which was building support in Congress as recently as September this year.

"I believe the ICS is up to that task," said Mr Banga. "They have a seat at the IMO where they are best placed to represent not only the concerns of Asia shipping but also global shipping. Of the top five fleets in the world, four out of the five are China, Japan, Hong Kong, Singapore, representing 55% of the global fleet. That is what will make a difference.

Mr Dominguez conceded that despite the wishes of the IMO the EU had gone ahead with its own regulatory carbon-reducing regime(s).

I shall continue to campaign against the status quo," he said. "This is a global industry, and we shall advocate for global regulation.

"One of the first places that I visited when I took up the role of Secretary General was the EU headquarters in Brussels to continue to send out that message to them. My call is that once we [IMO] adopt the first mechanism, which enters into force in April 2027, the EU must align with the international global measure to avoid any fragmentation in implementing a level playing field."

Achieving IMO decarbonization targets for 2030

Secretary General Dominguez was asked if his visit to Hong Kong had affirmed in him that IMO decarbonization targets for 2030 were achievable:

"I continue to be confident that we shall meet our decarbonization goals for 2030 [20% reduction striving for 30%]. From all the conversations I have had with the HKSOA and the ASA, I find that some of the questions are valid regarding operational measures and how we improve those mechanisms that have been put in place; how there are several low-hanging fruit through IMO, again operational measures, that have been introduced in recent years that already optimize the efficiency of the vessels and reduce emissions.

"After speaking with Hong Kong's Chief Executive John Lee, where he outlined the Action Plan on Maritime and Port Development Strategy, we now have a clear perspective into all the investment that has been forecast for Hong Kong as a green



IMO Secretary General Arsenio Dominguez (left) and Hong Kong Shipowners Association Chairman Angad Banga

hub. As a major global maritime cluster, we are encouraged by its efforts for a green port and green bunkering," he added.

"We know the challenges. We know that there is additional development in relation to alternative fuels, that new technologies are emerging. There is the price mechanism to support this transition. Importantly, this phenomenon brings opportunities. This is where Hong Kong's actions with the green port and its plans to develop new talent for the shipping industry, can capitalize on the transition."

Further supporting Hong Kong's strategy, Mr Banga added: "I believe that we are ahead of the curve in certain areas. Value-added maritime services are a good example of that. On green bunkering and decarbonization I believe that we have been behind the curve. But with the Action Plan that the Secretary General just referred to, I'm cautiously optimistic that we will catch up, and eventually become first movers."

Deciding on the appropriate alternative fuels

In response to an ASA delegate's wish for a single fuel solution to the decarbonization question, Mr Banga responded:

"Ideally speaking that would be great. But as a free market economist I think that solutions will continue to be subject to evolution and innovation until we get to the right solution, rather than a regulator or government body determining what needs to happen. A single fuel solution does not consider changes that will happen as we go through this energy transition together as a global society."

Secretary General Dominguez added: "At IMO we decided to be both fuel and technology agnostic.

"Our impulse is to foster innovation and technological development. We must consider the benefits for all 176 Member States and not just a few, as well as how we can provide for those that are more in need, particularly developing countries," he said.

"We also need to take into account the large quantities of alternative fuels that will be required, not just by the shipping industry, but all the other sectors as well. In the long term things will start to fall into place in relationship to the development of the fuels as well as the technological transition."

While Secretary General Dominguez rightly declined to publicly declare a favourite alternative fuel option, he did refer to the necessary considerations in choosing one.

"Consideration of the qualities of these fuels regarding, for instance, ease of transportation, density, temperature etc. as well as the training requirements it will need to be transported, will guide us to the right fuels for the industry... But it would be detrimental for me to advocate for one specific fuel because that would contravene the decisions that have already been taken."



IMO Secretary General Arsenio Dominguez (left) and Hong Kong's Secretary for Transport and Logistics Lam Sai-hung discussed the territory's Action Plan on Maritime and Port Development Strategy

Mr Banga added:

"Of course, some of the fuels under consideration have been transported on ships for a very long time – ammonia, methanol, etc. We understand how to transport them safely. On how we evolve into using them safely on these vessels, I think the training for seafarers is already happening. The more we learn and the more we work together, we will find solutions for all the available options. Were we to consider increasing the accommodation space on a ship, this might impact a commercial decision as to what fuel would be used."

The mention of larger accommodation space for crew led to the wider topic of seafarers' welfare. Mr Baga led the conversation:

"I genuinely believe that not enough is being done to protect seafarers at sea. What the industry is not doing well enough is to explain the importance of the maritime industry to a person's day-to-day life. If we can do that the next generation of consumers of our services will be the ones to demand that companies, regulators and governments take greater account of seafarers' welfare."

Secretary General Dominguez insisted that the IMO and he personally, placed the greatest emphasis on the welfare of seafarers:

"I have made it one of my main objectives to support seafarers in this respect, together with more outreach and transparency in relation to shipping as a whole," he said.

"This is one reason why I have been reaching out to the shipping press and beyond to the mainstream media. Regarding the Red Sea crisis, while all the coverage was on the impact on trade, my call has always been first we look at the people that it is impacting on board the vessels that are making it possible for trade to continue. Then we talk about the impact that it has on trade,

and the economic consequences for everybody sitting at home watching the news on TV. From there we discuss the humanitarian side of shipping. I always raise the fact that during COVID shipping was the only mode of transport that continued to operate - to the detriment to seafarers. And that was recognised at the time. But people tend to forget.

I am now engaging with the International Labour Organization and the International Transport Federation to tackle all the injustices that arise due to maritime accidents and maritime crimes. I engage with all the diplomatic channels through the UN Security Council in relation to the Red Sea where we raise the important seafarer issues arising out of the conflict.

“And, with all due respect to those present here [ASA AGM], I would also say to the shipping industry and the shipowners, if we want to attract seafarers, we need to treat them the same way that we treat the staff in our offices. Firstly, we need to ensure they all have adequate communication channels to their homes and families while onboard ship.

“Finally, we need to rework the design of our ships by sacrificing some cargo space to provide better accommodation. That will facilitate greater diversity and bring more females into the industry.

“I will not stop campaigning for all these objectives on behalf of seafarers.”



Celebrating the end to a successful ASA AGM: From left to right Sandy Chan HKSOA managing director, Deputy Chairman of HKSOA Richard Hext, HKSOA Chairman Angad Banga, IMO Secretary General Arsenio Dominguez, International Chamber of Shipping Secretary General Guy Platten

"I have made it one of my main objectives to support seafarers in this respect, together with more outreach and transparency in relation to shipping as a whole"



Industry luminaries gather for the ASA AGM in Hong Kong

THE TOP TEN RED FLAGS FOR VESSELS ENGAGED IN ILLICIT ACTIVITIES

By Captain (Ret) Neil Watts, Culmen International LLC

Identifying vessels potentially involved in illicit activities like smuggling, illegal fishing, and human trafficking is crucial for maintaining the integrity of the maritime supply chain. Deceptive shipping practices can impact everyone from shipowners, brokers, flag registries, port operators, freight forwarders, classification societies, commodity traders, and insurance companies. Awareness of and familiarity with these red flags is an important aspect of risk avoidance and compliance.

1. **Frequent Changes in Flag State:** Vessels may repeatedly change their flag state (“flag-hopping”) or adopt false flags to hide identity, evade detection, or exploit lax regulations. Rapid flag changes can indicate attempts to launder vessel identity and create distance from sanctioned activities and entities.
2. **Disabling or Manipulating AIS Transmissions:** Ships may turn off or manipulate their Automatic Identification System (AIS) to create “dark” periods, making them undetectable. This allows undetected visits to sanctioned jurisdictions or clandestine ship-to-ship transfers of prohibited and sanctioned cargos.
3. **Irregular Voyage Patterns:** Taking circuitous, uneconomical routes, especially near high-risk or sanctioned areas, may indicate attempts to avoid scrutiny. Repeated visits to such areas or nocturnal ship-to-ship transfers can conceal the cargo’s origin or destination.
4. **Unusual Port Calls:** Avoiding certain ports or consistently docking at low-compliance ports may signal evasion of regulations. Deviations from declared routes or unscheduled stops could involve clandestine cargo transfers common in smuggling or illegal fishing.
5. **Opaque Ownership Structures:** Registration in jurisdictions with poor transparency or complex ownership layers involving shell companies can conceal the ultimate beneficial owners, aiding sanctioned entities to operate unnoticed.
6. **Registry or Documentation Mismatches:** Discrepancies between a ship’s physical attributes and its registry documents (e.g., tonnage, length) may indicate falsified certificates or documents, a tactic in illegal fishing and sanctions evasion.
7. **Falsified Documents and Cargo:** Altered or forged cargo documents (manifests, bills of lading) can hide the true nature or origin of cargo, misrepresenting sanctioned goods. Some vessels maintain dual documentation to deceive inspectors.
8. **Extended Loitering in High-Risk Areas:** Ships idling or drifting near territorial boundaries, shipping chokepoints, or sanctioned jurisdictions may be awaiting illicit transshipment operations, a behavior common in piracy or trafficking zones.
9. **Physical Modifications to Vessel:** Hidden compartments, altered storage areas, or false identifiers (e.g., painted-over names) suggest smuggling activities. Modifications can be detected during physical inspections, such as Port State Control.
10. **Crew Irregularities:** Crews lacking proper identification, incomplete documentation, or exhibiting suspicious behavior may indicate trafficking or exploitation. Unusual personnel changes or evidence of forced labor practices are also red flags.

Culmen International is a member of the Asian Ship Owners Association (ASA) and can help navigate these tricky waters by providing information and education where necessary.





FLEET MANAGEMENT LIMITED

CELEBRATES 30 YEARS AND LOOKS TO THE NEXT GENERATION TO DRIVE NEXT PHASE OF GROWTH

Founded in 1994, Fleet Management Limited, started from humble beginnings.

Dr. Harry Banga, Chairman and CEO of The Caravel Group, Fleet's parent company, reflected: "after our first few clients came on board, I thought we might get to 40 ships, but more than 600? It's scarcely believable."

Today, the company boasts 650 vessels under management, alongside 27,000 seafarers and 27 offices across the globe.

Leading Through Focus

The bedrock of Fleet Management's success lies in its focus on four core priorities: an unwavering commitment to people; a relentless focus on safety; technical excellence; and transparency and decision making based on data and insight.

"Our priorities have remained the same from day one and guide our decisions and actions every day," explained Dr. Kishore Rajvanshy, Fleet Management Limited's Managing Director.

Dr. Rajvanshy celebrates his own milestone this year, having led the company as its only Managing Director since its inception. As the business expanded, Dr. Rajvanshy's passion for partnership and technical excellence became embedded in the culture and

remains as strong today as it was 30 years ago. It is also mirrored in the type of people the business hires—those who think of their client's vessels and cargoes as if they were their own.

"His unwavering commitment to excellence has shaped the company into what it is today," said Dr. Banga. "We are profoundly thankful for his years of service, friendship and the lasting impact he has had on the maritime sector."

In February, the company announced a phased succession plan to ensure continuity, sustained innovation and success as it enters a new era. In October, it announced the appointment of Captain Rajalingam ('Raja') Subramaniam. Captain Subramaniam will officially take the reins as Chief Executive Officer on January 1, 2025.

Welcoming him to the Fleet family, Dr. Banga commented: "Captain Subramaniam's exemplary track record and visionary leadership make him the ideal choice to lead Fleet Management Limited into its next chapter of growth and innovation."

Captain Subramaniam will work in close partnership with Mr. Angad Banga JP, Chief Operating Officer of The Caravel Group who has played a hands-on role in the daily management and oversight of Fleet's corporate functions.



“Captain Subramaniam and I share a profound respect for the intrinsic values that have allowed the company to flourish. We are and will remain ‘seafarer first’ in the way that we operate. Investing in people will remain the top priority,” said Mr. Banga.

Investing in People

Seafarers and onshore staff are at the heart of the business, and the company’s talent development programmes provide comprehensive training, education, and mentoring opportunities, seafarers with the skills needed to navigate an industry marked by digitalisation, automation, and regulatory requirements.

Safety remains paramount, underpinned with training. Every employee must complete a three-day SafeR+ course, reducing accidents by 80% and underscoring the company’s fanatical approach to safety. Fleet Management also offers a best-in-class employee welfare programme, including mental health support from on-staff psychologists and regular outreach to seafarers’ families.

Decision Making Guided by Data

The technical and personnel teams play crucial roles in maintaining high standards across a diverse portfolio of vessels, from bulk

“Our priorities have remained the same from day one and guide our decisions and actions every day.” Dr Kishore Rajvanshy

carriers and chemical tankers to ultra-large containerships and 180,000-cbm LNG carriers.

Timely and transparent information sharing represents another strategic priority. It is achieved through the company’s ongoing technology strategy that creates clear, accurate, real-time data for customers through PARIS, which provides the information need to make informed decisions across vessels.

A Commitment to Uphold Customer Excellence

While the maritime industry has evolved considerably since 1994, Fleet Management has remained steadfast in its foundational principles. Whatever the future holds, that will remain true as it navigates the next 30 years.

HONG KONG'S SUPPORT SYSTEM

Members of the HKLSA are responsible for 90% of the daily necessities for Hong Kong

It's probably fair to say that the vast majority of Hong Kongese are blithely unaware of the existence of the Hong Kong Shipowners Association (HKSOA) and the Hong Kong Liner Shipping Association (HKLSA). And among the territory's maritime community, it's the HKSOA that has the larger footprint. This is due partly to its much larger membership, and its being a member of the International Chamber of Shipping (ICS) with its consequent access to IMO.

It's time to wave the flag for the HKLSA. The wider Hong Kong community should know that the HKLSA membership of container operators with scheduled liner services are responsible for 90% of what Hong Kongese consume daily.

HKLSA Chairman Roberto Gianetta, is happy to expand on its important role and how the HKLSA may be differentiated from the HKSOA:

"Hong Kong shipowners may reside in Hong Kong, but their ships may never call here. Therefore, they don't have a direct impact on Hong Kong residents," he says. "Tankers are a possible exception, but they don't call regularly."

"For the same reason, with few calls in Hong Kong, they do not contribute as much to the territory's GDP. When our members' containers arrive in Hong Kong, the terminals are engaged, the storage depots are engaged, the truckers, the warehouses, godowns, and consolidators are all engaged."

The glory years

The origins of the HKLSA lie in this more intimate relationship with its home base.

Established in 1981, those were halcyon days for the container business in Hong Kong. Within six years the port would become the busiest container facility in the world; a position

it would hold sporadically up to and including 2004. The driving force behind the setting up of the HKLSA was the need to interact with government regarding safety operations and pilotage, which was of less concern to the typical member of the HKSOA.

Mr Gianetta argues that during that period when container handling was booming in Hong Kong more emphasis was placed on the activities of the HKLSA than on the HKSOA. However, in the ensuing years, a combination of huge consolidation in the liner business, and steeply declining container throughput at the Port of Hong Kong, due to the extraordinary growth of rival ports in southern China, the staffing of HKLSA has been scaled back, and the spotlight has shifted.

But any sense that the two organizations operate within separate silos should be dispensed with. In reality their relationship is mutually beneficial and characterized by cooperation at the highest level.

"There are many areas where the shipowners share similar interests with the liner companies," says Mr Gianetta. "Decarbonization being the obvious example. Also, many of our liner members, such as Maersk, are also invested in other ship types. In cases where interests do align, where shipowners have liability or interest we do overlap.

"With the HKSOA's representation at IMO, through their membership of ICS, we often tack onto them. Because liner shipping tends to be at the forefront of where the industry is going in terms of decarbonization we are feeding the HKSOA information. But it is the HKSOA which is carrying the discussions with the ICS and IMO," he adds.

Regarding local operational issues some HKSOA members may occasionally be affected by those confronting liner operators. An example might be the Tsing Ma bridge air draft issue. More of this later.

"That was something that affected predominantly the liner industry but also some HKSOA members. HKSOA invited us to take the lead on that, and we agreed if they led on other issues. There is a lot of cooperation even on matters where we don't necessarily share equal interest. For example, HKSOA will advise what concerns they are tabling at MEPC, and we will offer our



**HKLSA Chairman
Roberto Gianetta**



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support in exchange for support for our concerns,” Mr Gianetta maintains.

Tsing Ma Bridge

At the local level the HKLSA has achieved several partial victories, notably the Tsing Ma air draft issue, which took seven years (2014-2020) to reach a less than satisfactory resolution.

The Tsing Ma Bridge spans an important navigation lane whereby vessels may pass through the Ma Fan Fairway to access the Port of Hong Kong and other ports in the western and central parts of the Pearl River Delta Region. The dispute arose because the Highways Department had determined that the air draft of the bridge was 53m. The HKLSA argued that at the point where vessels sailed under it the draft was as much as 15m higher in the right conditions. As the dispute dragged on a new generation of mega containerhips were excluded from the waterway. A consultant’s report published in 2014 suggested that the accumulated affected throughput could rise to around 2.3m teu by 2020.

Over the years other government departments were brought into the discussion including the then Transport and Housing Bureau and the Marine Department, until it was finally determined that the recognised draft would be increased to just 57m.

Mr Gianetta blames the excessive bureaucracy between government departments for the extraordinary delay in the matter being concluded and maintains that the establishment of a maritime authority could have circumvented it. Both the HKSOA and the HKLSA have been staunch advocates for such a statutory body to oversee the affairs of the local maritime sector, a development that the Hong Kong Government has thus far resisted.

Fair Winds Charter

A triumph that will go down in the annals of HKLSA was 2011’s Fair Winds Charter (FWC). Initiated by the HKLSA with the support of the HKSOA, it was a pioneering move for ocean-going vessels to voluntary switch to low-sulphur fuel, not exceeding 0.5% while at

berth in Hong Kong. The FWC remained on a voluntary basis from 2011 until 2015, when the Government mandated the practice. In 2019, the low-sulphur emissions regime was extended to the Pearl River Delta Domestic Emission Control Areas. As a result of the FWC for several years Hong Kong remained ahead of the game in Asia in the field of emissions control.

Green fuel bunkering

Arriving at the present day: the required legislative requirements have been completed and Hong Kong’s first LNG bunkering operation is due to take place in 2025, after several years delay. The MOL-operated Floating Storage and Regasification Unit’s arrival had been delayed. Originally due to arrive in 2020, the ravages of COVID put paid to that. The vessel finally arrived in the spring of 2023. Further delays occurred as a result of the Government spending two years searching for an independent consultant to undertake a feasibility study – a role that HKLSA and some other parties declined – “We told them, we are the users, if you build it we’ll consider coming, but if you don’t we’ll go elsewhere,” Mr Gianetta recalls. In the end Petro China stepped into the role.

Perhaps having learned from the experience of the LNG preparations, no such delays have occurred in respect of plans to develop a green fuel bunkering centre with the Action Plan on Green Maritime Fuel Bunkering due to be promulgated by the end of 2024.

The HKLSA welcomed the green fuel bunkering plans when they were first announced in 2023. Not so much the previously announced plans for LNG. Mr Gianetta suggested at the time that the boat had sailed as far as LNG bunkering was concerned. “After the initial wave of LNG vessels, the next wave (which is already bigger in terms of planned deliveries) is methanol. Hong Kong missed the opportunity to capitalise on the carriers’ need for LNG bunkering years ago when the trend was evident, there are plenty of other ports who can provide sufficient supply for those carriers looking for LNG bunkering,” he said.

The HKLSA is much more upbeat about Hong Kong’s Green fuel bunkering, specifically green methanol:

“Production of green methanol will be heavily dominated by China in the initial five-10 years before other methanol producers start kicking into gear. Methanol produced in China will need to be delivered to the coast for loading onto tankers to the rest of the world (including Singapore – currently the largest bunkering hub globally). Shanghai certainly has its fingers in this pie – but not all vessels go to Shanghai. Hong Kong, therefore, has a golden opportunity to capitalise on this trend and market itself as the South China bunkering and transport hub for green methanol ... if Hong Kong plays its cards right,” Mr Gianetta concludes.



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HONG KONG'S GREEN FUEL DILEMMA



Shipping market players are facing the inevitable need to address the issue of alternative fuels as regulatory and business pressures bear down on the industry, writes Vincent Wee.

After a couple of years of working through the options, the maritime industry seems to have settled on a set of alternative fuels as having the most potential. These are being explored as part of the industry's efforts to reach its net-zero targets.

DNV's Pathway to Net Zero" study predicts higher energy efficiencies, a diverse fuel mix, and the adoption of new low-carbon fuels will be necessary to achieve these targets by 2050.

The fuel options being explored include methanol, LNG, ammonia, hydrogen, biofuels, and as somewhat of an outlier, nuclear power.

The former two have seen the highest adoption rate in terms of numbers of vessels on order and in operation, while biofuels are increasingly being promoted as a good transitional green fuel option when used as a drop-in fuel on conventionally-fuelled vessels.

According to DNV's Alternative Fuel Insights platform, the number of dual-fuel ships ordered increased from 10% to almost 18% of newbuilding orders last year.

There were 138 dual fuel methanol-powered ships ordered in 2023 and 11 orders for ammonia-powered ships.

Although LNG-powered vessel newbuilding orders slipped behind methanol in 2023, it still leads the total number of orders so far. According to Drewry, about 1,000 LNG-fuelled vessels will be in service by 2027.

The first methanol-powered container vessel is already in service in Europe and operator Maersk has more on order that will come into operation between this year and 2027.

Meanwhile, the first commercial vessels capable of using ammonia as a fuel are expected to come online in 2026 or 2027.

Obstacles to adoption

There has been somewhat less enthusiasm for hydrogen and nuclear power due to challenges in adoption.

Hydrogen is highly flammable and potentially explosive and unlike methanol and ammonia, which have seen long-established commercial usage, is not yet regulated at the international level. IMO is developing regulations for the gas, which will tentatively be ready in 2025.

Samskip placed an order for the first hydrogen-powered feeder container ship earlier in 2024 and it is set to be delivered in the second half of 2025.

The use of nuclear power in shipping is hampered by the lack of a regulatory framework for its development and licensing in the international shipping context. Furthermore, there are also systemic barriers such as negative public perception, still nascent technology and waste disposal to consider.

Hong Kong prepares

Hong Kong aims to accelerate the promotion of green shipping in line with the IMO's emissions reduction targets while turning itself into a high-quality green fuel bunkering centre to attract more ships to bunker at the Port of Hong Kong.

In July 2024, Secretary for Transport & Logistics Lam Sai-hung said: "Climate change has become an inescapable issue that governments around the world must address, and the Transport & Logistics Bureau is also sparing no effort in this regard."

In June, the Marine Department launched the world's first Carbon Intensity Indicator-based green incentive scheme. All Hong Kong-registered ships of 5,000 gross tonnage or above that attain A or B ratings in the IMO's CII standards are eligible to receive HKD20,000 per year from 2024 to 2026.

Excelling with Innovation Navigating through Green Shipping



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The Government recognises that existing marine legislation, which is based on traditional fuels with different characteristics and risk profiles to the new fuels, needs to be updated. For example, methanol is toxic and highly flammable while ammonia is highly toxic and needs specialised spill control equipment to detect and protect crew from any leaks.

Plans are in motion to introduce legislation to facilitate vessels using alternative fuels or providing alternative fuel bunkering services for other vessels in Hong Kong waters.

Updated regulation, the Shipping Legislation (Use of Fuels & Miscellaneous Amendments) Bill 2024, saw its first reading at the Legislative Council in July.

The Government has also commenced a feasibility study for providing green methanol bunkering for both local and ocean-going vessels, and will promulgate an action plan for the construction of bunkering facilities and development of supply chains by 2024

No time to spare

There has been some reported small-scale bunkering of biofuels, with COSCO bunkering affiliate Chimbusco delivering 2,000 tonnes of B24 biofuel to a Maersk vessel for the first time in November 2023.

About a year after Hong Kong's first LNG receiving station was put into operation there are still only vague plans to initiate bunkering services by 2025.

Hong Kong shipping companies, seemingly taking their cue from the Government's tentative stance are also hedging their bets on decarbonisation options.

Pacific Basin was, as recently as earlier this year, reported to be only just finalising the design of a dual-fuel vessel and considering whether to place a newbuilding order.

It remains to be seen how quickly the port will be able to put in place facilities for other alternative fuels as the latest vessels that have been ordered with dual-fuel systems using these fuels start to come into service in the next few years.

Chasing the leaders

Ports in mainland China have also run ahead with alternative fuel bunkering to meet growing demand. Shanghai started LNG bunkering operations in 2022 and by 2023 had overtaken Singapore in LNG bunker sales.

The world's largest container port continues to invest in infrastructure and is building larger LNG bunkering vessels as it takes advantage of the rising number of LNG-powered container vessels coming into service and its position as last port of call on transpacific services.

Complementing Shanghai, third-largest container port Ningbo-Zhoushan is the third major port in China that offers LNG bunkering supply.

Fellow Greater Bay Area port Yantian meanwhile boasts the world's largest LNG bunker vessel where its ability to bunker two vessels simultaneously is being put to good use servicing the ultra-large container vessels that make up the bulk of its calls.

China is also leveraging its state-owned enterprises to fast-track a green methanol bunkering supply chain for Shanghai. Earlier this year, it launched the world's largest methanol bunkering vessel at the port.

Meanwhile, competing regional ports such as major bunkering hub Singapore have been supplying LNG bunkers for several years and already have advanced protocols and plans for methanol and ammonia bunkering in anticipation of these developments in global shipping.

Hong Kong's LNG terminal



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FSRU BAUHINIA SPIRIT SLASHING CO2 EMISSIONS AT LNG TERMINAL

MOL's floating storage and regasification unit Bauhinia Spirit celebrated its first anniversary in July 2024

Supplying, storing and regasifying LNG for Hong Kong's first offshore LNG terminal. The new terminal was jointly developed by CLP Power and HK Electric who receive the gas at their facilities at Black Point Power Station and Lamma Power Station respectively.

To complement the HKSAR Government's energy policy, the two power companies have been increasing the proportion of natural gas in their fuel mix to around 50% since 2020.

During the first 12 months of operation Bauhinia Spirit has received 11 LNG packets from as far away as Nigeria, Qatar, and Equatorial Guinea, the total LNG provision provided equates to about 18% of the total amount of natural gas consumed by CLP Power and HK Electric in 2023.

More impressive still has been the extraordinary reduction in CO2 emissions that have been achieved because of employing LNG for power generation. CO2 emissions from Hong Kong's power plants in 2023 totalled approximately 20.4m tonnes.

MOL FSRU Terminal (Hong Kong) Limited has expressed satisfaction with the operation of Bauhinia Spirit over the past year. There were 11 LNG carrier calls during the year, and six FSRU departures from the terminal due to heavy weather conditions.

In an effort to further reduce emissions, the terminal owner, Hong Kong LNG Terminal Ltd, has chartered two LNG fuelled tugs from Hongkong Salvage & Towage Services Ltd, to operate as standby vessels. These tugs are now in Hong Kong and are fuelled with LNG using specialist LNG bunkering equipment at the offshore jetty, which will pave the way for possible future LNG reloading to support LNG bunkering operations in the port of Hong Kong.

The Hong Kong Government has also indicated that it is undertaking the preparatory work to facilitate LNG bunkering, with a target timeframe of this year or next. Simultaneously the Government is conducting legal preparations to upgrade the legislative framework that would allow LNG bunkering in Hong Kong waters.



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MEPC82 AND THE IMPACT FOR SHIPPING

CII concerns slow progress at MEPC82, Hong Kong Shipowners Association Technical Director, Martin Cresswell reports from the IMO headquarters in London

After the success of MEPC80 in approving the 2023 revised greenhouse strategy and generally good follow up at MEPC81 there was a some justification to believe that MEPC82 would continue the momentum. Unfortunately this didn't happen as the committee got bogged down in many areas, particularly sorting out the CII problems, developing the mid-term measures and the revision of the ballast water convention.

Air pollution and energy efficiency - the short term measures

There were over 40 papers presented to MEPC82 detailing problems with the Carbon Index, (CII). It is accepted that the CII is not fit for purpose but the committee found the many myriad solutions presented in the papers difficult to manage, although many of them presented straight forward solutions. The committee

decided that a gap analysis was the best way forward and came up with a two phased approach. The first phase is to approve important solutions at MEPC83 to bring into force on 1/1/2026, as set out by MEPC80, making a good contribution to reducing CO2 emissions per transport work and helping to achieve the revised 2030 goals. The second phase were items that the committee believed are less important so can be pushed out beyond 2026.

It was decided that a three-day special session will be convened just before MEPC83 to fast track the Phase one items to ensure they enter force on 1/1/2026. To do so they must be approved and ratified by the committee at MEPC83. Also, the committee decided to maintain the current enforcement mechanism, the experimental phase, hopefully implying that no penalties will be introduced after the phase one measures come into force.

Phase 1	Phase 1 and 2	Phase 2
Robustness of CII as an operational energy performance indicator	Impact or idle and port waiting time	Penalization of: <ul style="list-style-type: none"> • Self-unloading and geared bulk carriers • Ships navigating in adverse weather • Ships using bow thrusters • Ships equipped with inert gas generators • Ships carrying refrigerated cargo below deck • Steam driven LNG carriers • Ro Ro cargo and passenger ships
CII reduction factor (Z) for years 2027-2030	Impact of short voyages	Not accurate reflection of smaller LNG carriers on the CII reference line
	Penalization of cruise passenger ships spending time in port	Impact of CII on ballast voyages
	CII does not incentivise behavioural change, port efficiency and just in time arrival of ships	Potential overlap with basket of mid-term measures
	Accessibility of CII ratings and IMO DSC data beyond parties to MARPOL Annex VI	CII does not address emissions on their full life cycle
		CII does not allow for pooling

The phase two items may not be decided upon until the results of the enhanced DCS data is available in 2027. This refers to splitting the GHG emitted on the voyage separately from the GHG emitted in port, which if found to be very small in comparison to the GHG on the voyage may encourage the argument that the CII should only be based on the latter. Also, it was decided that water and sludge should not be split out from the DCS as the quantities were considered to be insignificant.

Regarding the CII general challenges and gaps, several views pointed to factors that are outside the ships' control, e.g., port waiting time, short voyages, different operational profiles within different ship types and size segments to be appropriately considered. There was also no agreement on whether the CII should be based on the tank-to-wake or well-to-tank emissions in accordance with the 2024 LCA Guidelines. These problems will not be easy to resolve.

Information on the availability of biofuels at ports

In a belt and braces approach, to enhance the transparency of the availability of new fuels it was decided that the quantities and location of Biofuels should be made available in the IMO GISIS module, even though the uptake of alternative fuels was available



Martin Cresswell, Technical Director, HKSOA

on another IMO website, "IMO Future Fuels and Technology (FFT) Project"

EEXI and engine/shaft power limitation system

There was also a disappointing outcome for a paper submitted by INTERTANKO that highlighted the administrative workload and operational costs related to reporting obligations of the Shaft Power Limitation (SHaPoLi)/Engine Power Limitation (EPL) system,

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proposing amendments to the 2021 Guidelines on the shaft/engine power limitation system to comply with the EEXI requirements and use of a power reserve. The proposal suggested that reporting by ships should be on an annual basis instead of every occasion the EPL was exceeded as the data was recorded and available for checking. Regrettably, this and another one relating to surveys required after mechanical EPL stoppers were removed and then replaced was also not agreed to.

IMO strategy on GHG emissions – the mid-term measures

There was considerable work carried out on the mid-term measures during the week of ISWG-GHG17 and during MEPC82 but many issues still need to be resolved. It is thought that the 2030 goals can be achieved using the short term measures and with sufficient numbers of ships using LNG and Biofuels BUT the 2040 goal of a 70% striving for 80% reduction of GHG and the net Zero goal of 2050 can only be achieved if suitable mid-term measures are approved in 2026 that greatly spur the demand for new low or zero emission fuels (ZNZ). However, much more work still needs to be undertaken by governments before the 'Net-Zero Framework' of mid-term measures is ready to be approved at next year's critical MEPC83 meeting in April, to enable them to be brought into force from 1/1/2028.

While there is broad agreement at the IMO about the need to reduce the cost gap with conventional marine fuel oil to incentivise a rapidly accelerated uptake of ZNZ fuels and technologies there still two solutions being considered.

The ICS believes a universal fixed GHG levy contribution system is the best chance the shipping industry has to meet the IMO net zero GHG emissions target by or around 2050 and are pleased that the concept of a universal GHG levy contribution by ships, per tonne of CO₂e emitted, remains firmly on the table at IMO. This involves the application of a levy and setting up an IMO Fund to support a just and equitable transition in developing countries. There is strong support for this from a clear majority of IMO Member States, who also control most of the world's shipping tonnage.

However, many other countries, including China, support a GHG reduction system using the Global Fuel Index, (GFI). The

plan is for the GFI index to be increased year by year in a predetermined manner requiring ships to use higher and higher percentages of ZNZ fuels. Ships that fail to meet the required standard are penalised with the reward paid out to ships that can use the new fuels to help offset the higher cost of the ZNZ Fuels. The idea being that this better encourages the demand for ZNZ fuels than the Levy based idea but the small island states and developing world worry that this may not produce the billions of dollars needed to protect them from climate change.

Another concern raised at MEPC82 is food security. In many cases food is produced far from customers and if the freight costs are increased, because of ships switching to ZNZ fuels, some economically challenged countries may not be able to afford to import sufficient food. The IMO is convening a special meeting in February 2025 to try to resolve this matter.

To push forward consensus on the two mid-term measures schemes, two week long ISWG-GHG meetings will be held before MEPC83 in early April. Although it would seem that the Levy and GFI camps are still a long way apart there is quite optimism that the two parties will make compromises so one overall system can be developed for approval at MEPC83.

Ballast Water Convention (BWC)

The experience building phase for the BWC came to an end on 8th September 2024, just prior to MEPC82, when ships over 5000grt needed to meet the D2 scheme. Although over 40,000 ships now have approved IMO ballast water treatment systems, (BWTS), there are many variables and some work better than others. In reviewing the convention at MEPC82 the following was discussed:-

- i) Ballast water exchange on the high seas or in any other designated areas with Amendments to regulation A-3 addressing the circumstances under which the discharge of unmanaged or partially managed ballast water and sediments may be allowed, including operation in challenging water conditions and contingency measures.
- ii) Ballast water management systems, (BWMS) maintenance procedures: The objectives were to specifically introduce requirements for the inclusion of BWMS maintenance

procedures in the ship's Ballast Water Management Plan (BWMP) and Ballast Water Record Book (BWRB), while avoiding duplication with existing ship systems and procedures. A simple amendment to regulation B-2 was agreed to.

- iii) Standardization of BWMS data logs and export files: Identification of the scope of the standardization of data logs and export files of the BWMS.
- iv) BWMS testing parameters and test conditions: development of testing parameters for setting simple tests for ships staff to test the BWTS output plus output from the ballast tanks.
- v) Official BWMS tests during surveys: Amendments to regulation E-1 were introduced for sampling and analysis of ballast water discharges during Flag State surveys twice every five years, allowing for both indicative and detailed analysis. It was agreed that, as the amendments did not specify the type of analysis in any case, the detailed analysis should be considered only as a voluntary option during surveys.

The committee also approved circular BWM.2/Circ.43/Rev.2 2024 Guidance for Administrations on the type approval process for ballast water management systems.

Also, the topic of modifications to the BWMS with existing type approval would ultimately be addressed under the convention review stage. There are often considerable delays supplying spare parts and substitutes sometimes need to be considered. There was much discussion about which part is considered a minor one and what is a major one. The former only requiring a simple test of the system while major modifications would be required the BWTS to be reapproved which would be substantial work. The Ballast Water Review Group recognized that the BWMS Code has limited guidance regarding approval of modifications to a BWMS after type approval has been granted, and agreed that it should be addressed in the interim with guidance to facilitate a consistent process for approval of modifications to BWMS by different Administrations.

Conclusion

Although there were no significant breakthroughs at MEPC82 a lot of work was completed that moved forward the three main items for hopeful conclusion at MEPC83, the Short and Mid-term measures plus the Ballast Water Convention.



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NEW FUELS, SAME OLD CONVENTIONS?

Head of Asia and Corporate Director at WEST, Tony Paulson, discusses, the current limits to the convention regimes regarding alternative fuels spillage, and how P&I can come to the rescue

With IMO's 2050 decarbonisation targets for the shipping industry looming large on the horizon, the number of ships on the water or ordered with a capability to run on a low-carbon or carbon-free fuel continues to rise. But will the liability and compensation regimes designed to deliver swift and easy access to compensation when bunkers are spilt keep pace?

Changing fuels - but to what?

Figures from DNV highlight that whilst only a tiny part of the current fleet are equipped to burn low or carbon-free fuels, the numbers are set to grow exponentially. Already, 21% of the newbuildings contracted in the last twelve months are dual-fuel, with methanol and LNG (not itself a carbon-free alternative but one of the so-called "bridge fuels" facilitating the transition from conventional fossil fuels to renewable energy sources) leading the pack in terms of an alternative to IFO or MDO.

Other fuels – like ammonia, hydrogen and LPGs – are also contenders but there is as yet no clear sense of direction of in which technology shipowners will invest their capital. The same sense of uncertainty also surrounds the bunkering market, where the absence of a clear sense of direction behind one or other of the potential new fuels discourages investment in port handling and bunkering facilities for fear of making the wrong bet.

Known knowns – bunker spills today

Currently, the spillage of bunkers, whilst undoubtedly messy and often a cause of environmental damage, is at least a largely known threat. It creates a toxic pool in the marine environment which needs to be cleaned-up, but which often gets washed ashore and causes harm to people's livelihoods. But unless it is directly ingested there is little risk to human life, it typically doesn't catch fire very easily and over the last half a century or so a global network of responders have developed effective means of clearing it up.

More importantly, for most of the world there is an internationally accepted and well-tested liability and compensation regime that has delivered efficient funding for clean-up and

compensation to those impacted by spills: the 1992 Civil Liability (CLC)/Fund Conventions for the spillage of persistent oil from tankers (including their bunkers in certain circumstances) and the Bunkers Convention 2001 for bunker spills from other types of ship. These will hopefully be joined in the not-too-distant future by the Hazardous and Noxious Goods Convention 1996 (HNS) for spills of other harmful materials, so creating a complete liability and compensation regime for any ship-source spill.

New liability perspectives

But what happens if there's a leakage of a new type of fuel, methanol or LNG say?

The knowledge and frameworks we've relied upon for decades may suddenly be obsolete. With the exception of biofuels, there's very unlikely to be anything in the water to be cleaned-up. Instead there could be a gaseous cloud, potentially toxic or explosive in nature, and which represents a very real threat to the ship's crew, the port and its workers, and perhaps even the surrounding population.

The existing IMO conventions will offer little help. Both CLC and the Bunkers Conventions are predicated on the pollutant being a hydrocarbon mineral oil so will not apply and other liabilities like death or personal injury are not compensable losses under these conventions anyway because they fall outside their definition of pollution damage.



Tony Paulson, WEST
Head of Asia and
Corporate Director

This is not to say of course that compensation will be unavailable for the consequences of spilling one these fuels. No doubt the shipowner will be liable under local law in the jurisdiction where the spill occurred. But the IMO conventions confer significant benefits on claimants:

It's a strict liability regime regardless of fault, so the claimant does not have to prove negligence to recover

The insurer is directly liable in case the shipowner is unable or willing to pay

Pure economic loss (not normally recoverable in many jurisdictions without accompanying physical damage) is allowable.

None of these features are likely to be universally available with spills of these new fuels, meaning that claimants face the need to prove negligence and to try to secure their claim against any of the polluter's asset, since there will probably not be any right of direct action against the insurer.

Clearly then the lack of an established liability compensation regime similar to that which exists for hydrocarbon oil spills could make recovery challenging for claimants, especially if the ship – the shipowner's only asset in the jurisdiction – has been destroyed.

Looking for solutions

The International Group of P&I Club's Pollution Committee established an Alternative Fuels Working Group to consider the options for addressing this issue, especially in terms of potential action by states at IMO. There seem to be three options but none are straightforward or, in the short term at least, would deliver the kind of benefits to claimants offered by CLC or the Bunkers Convention.

Firstly, the Bunkers Convention could be amended. As a minimum, a change to the definition of "Bunker oil" from being limited to hydrocarbon mineral oil to, perhaps, "any substance used or intended to be used for the operation or propulsion of the ship" might be a good place to start. Elegantly simple but limited in its impact, because the definition of pollution damage under the Convention is too narrow to encompass the kinds of losses which

might arise in a spill of a new fuel. Opening up that definition would be a far bigger job.

Another option and one seemingly offering more scope is the HNS Convention, which already allows recovery for those wider types of losses including illness and injury. However, it only applies to spills of commodities carried as cargo not as bunkers and so would require amendment. HNS has had a long and challenging gestation period since first being promulgated in 1996, requiring a new Protocol in 2010 in an effort to address some of the issues. It continues to move slowly towards meeting the qualifying criteria to finally come into force and it is very unlikely that states would want to delay that process by putting forward more yet amendments to bring bunker spills within scope.

The third option is a new, standalone liability and compensation convention governing the spills of non-hydrocarbon bunker fuels. But that would not be a quick process and could be many years, perhaps decades, in the making, even if states had the will to start the process.

Insurance cover to the rescue

Despite the lack of a formal regime, insurance cover for these liabilities is already in place. P&I cover responds to incidents when these commodities are carried as cargo and will do the same when carried as bunkers. The Clubs have decades of experience in insuring and handling these types of claims so are well placed to help shipowners meet their liabilities at law in the local jurisdiction when an event occurs, notwithstanding the lack of any IMO convention.

But as we have seen from the Torrey Canyon onwards, new pollution legislation often follows swiftly after a major catastrophe. Let's hope that it doesn't take a serious incident with one of these new fuels to force a solution. The IG is continuing to discuss the issue with states, at IMO and with industry partners to see if an agreed route can be found to create the next generation of global liability and compensation regimes to meet the growing use of these new fuels.



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HONG KONG'S ROLE IN IUMI'S GREATER ENGAGEMENT IN ASIA

The International Union of Marine Insurance has a long history. Asia is playing an increasingly important role

When sitting down with the Secretary General of the International Union of Marine Insurance, Lars Lange, as IUMI celebrates its 150th anniversary, it seems appropriate to touch on the august organization's humble beginnings and its subsequent upward trajectory as the world's leading marine insurance body.

IUMI held its first meeting in 1874 in Berlin as Internationaler Transport - Versicherungs - Verband. It was a very different world back then. Germany was founded just three years earlier in 1871, and the country was led by an emperor (Wilhelm I 1871-1888). The first meeting was conducted in German and attended by a few Russian, Austrian and Swedish representative insurers. Mr Lange cites the history books' indication that Lloyds looked on askance at the upstart's initiative.

But IUMI soon gained traction in the European markets. After starting with 20 insurers, membership had grown to 200 by the end of the 19th century. Lloyd's finally came on board prior to World War I, a war that brought IUMI activity to a virtual standstill for nearly seven years. After similar disruption because of World War II, IUMI undertook its most important renewal and restructuring exercise. Instead of being a cooperation between marine insurance companies it became a worldwide umbrella organization of marine insurance associations, thus for the first time bringing the entire marine insurance community under one roof.

Beginnings of the Asia era

Appointed Secretary General in 2013, Lars Lange could be said to have led IUMI into the age of Asia, a continent now responsible for around 30% of global marine premium. Under Mr Lang's guidance Hong Kong became IUMI's first foreign outpost in 2016. Hong Kong was not chosen for premium footprint, to this day Hong Kong accounts for just 1% of global aggregate premium. Although China had joined IUMI in 2015, Mr Lange maintains:

"We are not looking to market share. We are looking on the policy side. One of the considerations was that Hong Kong could help us to understand China and help us to build deeper relations in China – which they still do. Being based in Hong Kong we feel that it affords us greater access to China while still making the rest of Asia accessible."

Mr Lange adds that the Hong Kong Federation of Insurers (HKFI) has been extremely supportive of IUMI's aims, as has Singapore which earned its own IUMI presence in 2017. Mr Lange recognizes that Hong Kong has its challenges. He cites the exit of some insurance business during and after the pandemic with a special mention of Munich Re.

"On the other hand, we see a changing landscape in Hong Kong which I find quite exciting. The mainland Chinese insurers, such as China Merchants Insurance, are building a larger presence," he says.

A greater role for Chinese marine insurance associations in IUMI, given that China now represents the largest cargo insurance market in the world, is highly desirable says Mr Lange, but the particularity of its market does present challenges.

"Most of China's insurers are, at least to a degree, state-owned and most of their employees are only allowed to travel overseas five days a year. That makes it difficult for them to attend our events.

"In the meantime, IUMI has a technical committee structure headed by the Executive Committee, which sits above seven specialist committees and four representative forums: collectively, the committees are manned by 180 practitioners," he explains.

"Every committee has Chinese members, but they can't always attend. This makes it a struggle, which was exacerbated by the



Secretary General
IUMI, Lars Lange

pandemic. I personally could not visit China from November 2019 until May 2023. They [Chinese insurance associations] are extremely keen to contribute more. We are trying to catch up on lost time. I shall be visiting China in November and that will be my fourth visit this year."

The nurturing of IUMI's influence in the region took a quantum step after the establishment of IUMI's hub in Hong Kong. Mr Lange explains:

"We always had a footprint in Asia, but previously it was in the traditional markets. We had strong relations in Japan, Hong Kong and Singapore, particularly in Singapore, while Hong Kong began to really engage around 2010-2011.

"From 2016, when we saw the increase in the Asian share of the marine insurance markets, we specifically decided on an Asia strategy. First, we opened the Asia hub, which was a team effort with the HKFI. We subsequently founded the Asia Forum on an annual basis. We felt it is important that we have something tailor-made for the Asian markets.

"We have a growth strategy where we try to deepen relations with member countries and recruit new members, in that respect Indonesia and Vietnam are very much in our sights. We want a deeper understanding of these markets and explore how we might contribute to their development.

"We also believe it is important to us to ensure there is diversity in our committees and our board, we want all the various markets that are our members to be core stakeholders in what we do. That is not 100% the case yet but we are improving," he concludes.

When will containership fire risks be extinguished?

In the eight years since IUMI set up in Hong Kong, the growth and increasing sophistication of marine insurance has been vast. But some things take longer. Among the seemingly intractable risks that the industry is facing is that of fires on containerships.

In obtaining a solution Mr Lange says: "We have a lot in place, but we are not quite there despite putting this topic on the agenda about seven years ago. For an IMO process you are looking at around 10 years.

"We need SOLAS amendments to set new requirements for container vessels for fire protection and fire detection," he adds.

"After targeting that [SOLAS], we first had to approach flag states to apply on our behalf - in this case Singapore Germany and the Marshall Islands.

"Our proposals are now with the IMO's Ship Systems and Equipment Committee. But these are not small committees, the SSE Committee comprises 700 people that meet just once a year," Mr Lange adds.

After the various hurdles IUMI has had to overcome, they are now at the stage of discussing very detailed measures regarding

what must be installed.

"Smoke detection on container vessels is a joke," he sighs.

"Heat detection is needed. You need infrared cameras that can recognize a fire before it's too late. We also need in the holds and on deck a means to fight fire automatically with water. You can't have desperate seafarers charging in and trying to fight 10 metre high fires," he insists.

Lower premiums must be earned

"Once our proposals are past SOLAS in a few years, we as insurers shall know at least newbuild container vessels have proper fire detection and proper firefighting means. This makes the vessels easier to insure," he pauses. "But once this is done it doesn't mean we shall reduce premiums by 5%" he laughs.

"We do not only insure shipping. We also make shipping safer. Shipping companies will not get larger deductibles just because they adhere to the new SOLAS conditions. But over time, as shipping continues to be safer, so premiums will be cheaper," he declares.



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THE RED SEA CRISIS

Ince Partner Rosita Lau MH, Senior Associate Karen Lam, and Registered Foreign Lawyer (PRC) Vincent Zhang, discuss the legal implications of the conflict in the Red Sea

The global shipping industry is facing serious disruption due to the Red Sea Crisis, stemming from the Hamas attack on Israel on 07 October 2023, and Israel's retaliation in Gaza, Palestine. On 19 November 2023, Iran-aligned Houthi rebels in Yemen, in support of the Palestinians, began attacks on merchant vessels navigating the Red Sea by deploying missiles and drone-carrying explosives. Such attacks have continued intermittently ever since.

According to the International Maritime Organization (IMO), 67 attacks on commercial ships by Houthis in the Red Sea were reported by mid-October 2024. Vessels had been damaged, detained or sunk, cargoes damaged or lost, seafarers detained and at least four seafarers were killed.

This article is written shortly after the one-year anniversary of the 07 October 2023 incident.

Disputes arising out of the Red Sea crisis

The Red Sea crisis affects almost all categories of maritime players. The authors have been advising the maritime industry on the crisis since November 2023 and would summarise the disputes below.

The biggest conflict is between shipowners and charterers on whether vessels are to transit the Red Sea or not. Such disputes involve particular charterparties that had been entered into before the Crisis started, and under which it was agreed that the vessels are to transit the Red Sea. The solutions are either the parties compromised to sail the vessels elsewhere, or the shipowners succeeded in refusing to sail their vessels in the Red Sea by resorting to well-worded war risk clauses in charterparties.

An example of such war risk clauses is **BIMCO's NYPE 2015 (BIMCO CONWARTIME 2013)**, which entitles shipowners not to sail vessels to areas where the vessels, cargo, crew or other persons onboard the vessels may be exposed to war risks at the time of entering into the Charterparties or occurred thereafter. The term "War Risks" is widely defined to include "any actual, threatened or reported war, act of war, civil war or hostilities; ... warlike operations; ...; acts of terrorists; acts of hostilities or malicious damage ... against ... vessels..., or ... cargoes or crews."

The war risk clauses in **BIMCO's GENCON 2022 (BIMCO VOYWAR 2013)** have similar provisions for shipowners to get out of the charterparties.

To date, no one has declared war in the Red Sea area. Accordingly, shipowners must rely on the existence of "warlike operations", "acts of terrorists", "acts of hostility or malicious damage" in the Red Sea to call upon **CONWARTIME 2013** and **VOYWAR 2013**. Shipowners need to demonstrate that it is in their or the Master's "reasonable judgment" that it may be or may become dangerous to the vessel, cargo, crew or other persons onboard the vessel to transit the Red Sea. Whether the judgment is reasonable or not is both a subjective and objective test. Shipowners must support their reasonable judgment by facts and evidence.

As far as the authors are aware, to date there is no court judgment on the Red Sea crisis. However, a UK Supreme Court Judgment in a piracy case, *Herculito Maritime Ltd v. Gunvor International BV ("The Polar")* [2024] UKSC 2 provides useful guidelines to shipowners and charterers.

In *The Polar*, the Charterparty contains:

- a. an express clause allowing the vessel to transit the Suez Canal. Both parties knew and accepted the piracy risks of transiting the Suez Canal when they entered into the Charterparty; and
- b. an amended **BPVOY 4 War Risks Clause** which entitles the owners to refuse to continue the voyage if

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Karen Lam, Senior Associate at Ince



it appears that the vessel may be exposed to war risks which include the piracy risks existing in the Gulf of Aden.

It was held that the parties' agreement at the time of entering into the Charterparty on accepting the known piracy risks of transiting the Gulf of Aden prevented owners from relying on the War Risks Clause, accordingly owners cannot refuse to transit the Gulf of Aden, unless a qualitative change in the circumstances exists.

Applying *The Polar* to the Red Sea crisis, shipowners may not be able to call upon the war risks clauses to refuse transiting the Red Sea if the relevant charterparty contains a clause that denotes those shipowners knew and accepted the risks in transiting the Red Sea when they entered into the charterparty. However, shipowners can still argue that a quantitative change in circumstances had occurred subsequently (for example, Houthis' attacks on merchant vessels in the Red Sea) and hence they could refuse to sail their vessels in the Red Sea.

Where charterparties contain no war risk clause at all the starting point is that the vessels must transit the Red Sea if the charterers so order. Shipowners can however rely on the common law principle that they are entitled not to follow such order of charterers' if security and safety of lives (including crew members') are at stake.

Rerouting

The Red Sea crisis forces vessels sailing from Asia to Europe to reroute around the Cape of Good Hope, spending more time (12 days or more) and incurring more costs. Charterers may reject rerouting by arguing that it is in breach of the "reasonable despatch" and/or "non-deviation" clauses.

In opposition, owners and masters must prove that they have credible information showing that some imminent perils would occur but for the rerouting, or that the deviation is widely accepted and is a "usual route". (*The Teutonia* (1872), **Hague Rules Art. 4 and Hague Visby Rules Art. 4**).

Force Majeure

Owners and shippers of cargo on board vessels may try to justify rerouting the vessels round Africa by Force Majeure. Whether Force Majeure applies or not depends however on whether there are force majeure events or not, and the governing law of the relevant contracts.

For example, under English law, the application of Force Majeure requires a Force Majeure Clause in the contract. In Mainland China, however, "Force Majeure" is a statutory defence in **the Civil Code** so whether a Force Majeure clause exists or not is not an issue.

Frustration

The common law doctrine of frustration only applies where rerouting the vessels renders performance of the contracts involved impossible or radically different from the purpose of the contracts. A typical example is perishable goods would become a total loss if the carriage were lengthened by twelve days or more.

Conclusion

The Red Sea crisis shows no sign of subsiding at present. In May 2024, IMO passed its first resolution on the situation in the Red Sea and condemned the Houthis' attacks as "illegal and unjustifiable" and demanded the Houthis immediately cease the assaults.

When answering questions from Ince's Rosita Lau in late May 2024 in Hong Kong on the effect of the resolution, Arsenio Dominguez, the IMO Secretary-General, advised that he wished the resolution would achieve some effect, but conceded many things are beyond IMO's control. The authors have their reservations on the effect of the resolution in improving the situation in the Red Sea. Ultimately, it is for the shipping communities to work together to tide over the difficulties caused by the crisis.

Vincent Zhang, Registered Foreign Lawyer (PRC) at Ince





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