

Global risks and the future of shipping

→ The Hong Kong Branch of The Nautical Institute joined the local branch of The Institute of Chartered Shipbrokers (ICS) to organise an evening presentation as our contribution to Hong Kong Maritime Week in November.

Despite the many competing events, more than 150 delegates signed up for an exploration of 'Global Risks and the Future of Shipping'. This is the second year we have teamed up with ICS, and we seem to have devised a format which appeals to both local shipping people and visitors from overseas.

We invited a number of local trainees and serving cadets to join us, and they manned the registration desk as well as mingling with the delegates. They created an excellent impression, and served to remind everyone that we need to keep the focus on our seafarers while discussing solutions to the problems they face. All delegates were presented with Nautical Institute literature in their conference bags.

Globalisation and global uncertainty

The keynote speaker was Amy Chan JP, Hong Kong's Commissioner for Maritime and Port Development, and Deputy Secretary for Transport and Logistics in the government of the Hong Kong SAR. In a lively and entertaining presentation, Miss Chan started by pointing out that understanding the shipping industry is vital for policy makers. She backed this up by remaining for the entire session and listening to all our speakers. She also pointed out that shipping facilitates globalisation but is susceptible to global uncertainty, and illustrated the point by recounting the difficulties of dealing with the Covid pandemic, particularly crew changes, during her time in the Marine Department.

Turning to climate change, Miss Chan pointed out that Hong Kong Maritime Week is always held in November since the weather is normally glorious and delegates from overseas get to see Hong Kong at its best. Sadly, this year we were affected by the fourth tropical storm to hit the region in recent weeks, so it was a wet and dismal evening outside, with the weather doing its best to ruin Maritime Week!

The priorities for maintaining Hong Kong as a major maritime centre include the development of an energy-efficient infrastructure. To this end, a bunkering action plan has been published which aims to make the port a 'green leader'. Methanol bunkering will soon be available, and Hong Kong is the first port to introduce a green rewards system based upon a vessel's Carbon Intensity Indicator rating.



Finally, Miss Chan promised that government will continue to encourage maritime businesses to relocate to Hong Kong.

Trade and capacity

To set the scene for the panel discussion we welcomed Mr Parash Jain, Managing Director and Global Head of Transport and Logistics Research at HSBC. His paper was extremely detailed, and space does not permit a full report, but readers are strongly urged to check it out on the branch website.

Mr Jain began by pointing out that shipping generally thrives amid chaos, and has benefitted from the successive blows of Covid, the invasion of Ukraine, the Panama Canal drought and the Red Sea crisis. In the immediate future, a Trump presidency could ramp up trade tensions. However, overcapacity is becoming an issue in many sectors of the industry and the pace of demolition needs to accelerate. For example, if the situation in the Red Sea is resolved, container shipping in particular will be facing severe overcapacity and the prospect of a deep downcycle. Meanwhile, shipbuilding capacity has been falling steadily around the globe as demand has increased, so prices are rising.

In the dry bulk and tanker markets, fleet growth has generally matched demand growth, but will outpace demand growth in 2025 and 2026. At the same time as new vessels are being delivered, older vessels are still making money so there is no incentive to scrap them.

Locally, China's share of world exports is declining again after peaking during Covid. The decline is likely to accelerate if the US imposes 60% tariffs on Chinese imports, and manufacturing may continue to shift to countries such as Vietnam and Mexico.

Sustainability challenges

The panel discussion was opened by Jagmeet Makkar FICS, who is a respected independent arbitrator and director at SkillsPlus. He, too, sees the key challenges as climate change and geopolitical instability, and pointed out that shipping will continue to be under pressure to reduce emissions, and will face ongoing cyber threats. We will have to remain flexible to thrive in future.

Dr Sanjay Kuttan, Chief Strategy Officer at the Global Centre for Marine Decarbonisation, concentrated on the need for shipping to become and remain sustainable. He also highlighted the effects of climate change on ships and crews due to worsening weather globally. In future, we will need to do more to attract high-quality talent. We must aim

to recruit the best people who can think on their feet and be brave when they face the challenges of life at sea. The theme of attracting the best people recurred throughout the evening. There was a general consensus that we are not doing enough to convince bright young people that shipping is an attractive and rewarding occupation.

Ms Christine Lo is the Chief Development Strategist at Hong Kong University of Science and Technology and serves on the board of the Global Maritime Forum. Among her many accomplishments, she was a prime mover in the adoption of the Protection of the Harbour Ordinance, and in persuading shipping lines to switch to low-sulphur fuel in Hong Kong long before regulations were introduced to make it mandatory. She, too, focused on climate change, and asked how we can persuade the scientific community to give better warnings of impending challenges.

Mr Harsh Bhawe, Director Fleet at Pacific Basin Shipping, discussed the extreme scrutiny that we face in all we do as an industry. He sees this as a great opportunity for quality operators, who will succeed and prosper while less rigorous companies fall by the wayside.

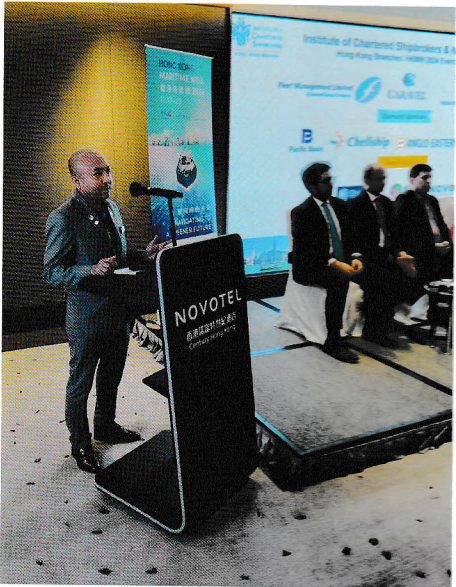
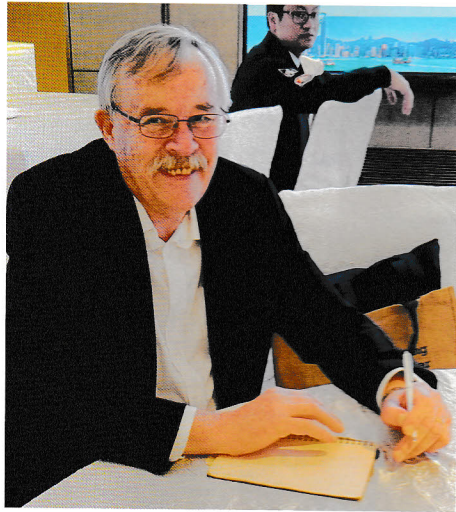
Capt Ashish Mediratta, MD of Maersk Hong Kong, also discussed recruitment challenges and asked how we make shipping attractive to the best young people. He was just one of several panellists who think that we do not do enough to publicise the industry and the benefits of a career at sea.

Pankaj Khanna, CEO of Heidmar Inc, started on an optimistic note. He pointed out that shipping is safer than ever before, and we should give ourselves more credit. In addition, we have been decarbonising at an impressive rate, but we must do more to publicise our achievements. Among the challenges we still face is the selection of genuinely practicable new fuel. It is not yet clear which these will be. Similarly, ongoing wars and the new US presidency could have unforeseen consequences. For example, if the Red Sea routes reopen, then container markets will collapse due to overcapacity.

Our final panellist, Neil Watts, is a Sanctions Compliance Consultant at Culmen International. He pointed out that geopolitical risk is not something we can control, but sanctions are here to stay. One problem is that shipowners must ensure they do not carry sanctioned cargoes. With additional sanctions announced this week on Russia and North Korea, the risks are increasing.

A multifuel future

During the question and answer session, there was vigorous debate about future fuels and whether we will have a multi-fuel future. Larger companies seem to be more relaxed about the



plethora of choices, and can adopt different fuels for different trades based upon availability. Smaller companies find this impractical and would rather wait to see which fuel emerges as the dominant one globally. Christine Lo maintained that governments should reward first movers in each of the available fuels, even if they eventually fail to catch on.

Another discussion was about whether cheaper ships can provide the same quality of service, and whether customers will be prepared to pay for the best service. Allied to this was the question of whether industry players can collaborate effectively. Can governments persuade commercial entities to join together to devise policies which benefit everyone?

We had not found answers to any of these questions when it was time to adjourn for food and drink, but the seminar certainly raised awareness of the problems we will face in the future. As one speaker said, we addressed the 'known unknowns' but in the present economic and meteorological climate there are likely to be an awful lot of 'unknown unknowns'.

Alan Loynd FNI

