

Maritime Decarbonization Monthly

+October 2023

Thought of the Month:

"Banks are making a stronger commitment to the decarbonization of the shipping industry"

The Big Picture

The Global Maritime Forum, a not-for-profit organization working to create a decarbonized shipping industry, has identified five key action areas to improve the operational efficiency of vessels. **Thirty top names in maritime attended the association's annual meeting in Athens and committed to adopting these measures.** The five actions cover: data collection and transparency; contractual changes; pilot projects; ports, terminals, value chains; and culture and leadership. Participating companies have signed an ambition statement agreeing to take collective action, diligently assess their maturity and progress, and take a leadership role in bringing operational efficiency to the forefront of the shipping agenda. A series of insight briefs published by the Global Maritime Forum highlighted those **operational efficiencies can decrease annual fuel consumption by 20%.**

What's New

In November 2022, BIMCO, the world's largest international shipping association, adopted the Carbon Intensity Indicator (CII) Operations Clause for Time Charter Parties ahead of IMO CII regulations which began in January 2023. This past month **BIMCO has introduced new CII clauses.** "The new CII clause focusses on course adjustment and speed reduction and includes commercial elements such as data sharing" says Stinne Taiger Ivø, Director, Contracts & Support at BIMCO. A ship's CII rating is greatly impacted by the way it is operated by the charterer, so BIMCO anticipates disputes between counterparties. Giving **charter parties guidance on how to contractually handle CII related issues** is an important step in the industry's transition.

Our View

Fleet sustainability solutions are now firmly entrenched in the shipping industry, with **Raizen**, an integrated energy company boasting an extensive array of renewables, and **Wärtsilä**, the worldwide leader in power system technologies for marine and energy markets, joining forces in a **groundbreaking Decarbonization Agreement.** This strategic partnership is dedicated to spearheading the decarbonization of the marine sector. By conducting in-depth research on the **utilization of ethanol as a marine fuel**, this innovative collaboration aims to substantially mitigate greenhouse gas emissions (GHG), offer innovative sustainable fuel alternatives to customers, and make a noteworthy contribution to the ongoing discourse surrounding the global energy transition within the maritime sector.

Industry Trends

Fuels

Hong Kong-based dry bulk shipping company **Pacific Basin** anticipates limited orders for dual-fuel methanol-enabled mid-size dry bulk vessels in 2024. As explained, these vessels are expected to primarily consume conventional fuel oil in the foreseeable future due to the limited availability and high cost of green methanol. Pacific Basin has been actively collaborating with **Nihon Shipyard Co.** and **Mitsui & Co.** in the design of efficient dual-fuel vessels that can run on both fuel oil and sustainable methanol.

Biofuels

Starting early next year, **Vitol**, an energy and commodities company, plans to expand the supply of biofuels in Asia by delivering specialized bunker barges to Singapore. The company's wholly-owned subsidiaries, **V-Bunkers**, and **Vitol Bunkers** will offer a variety of biofuel blends. Currently, all vessels providing bunker fuel in Singapore are oil tankers, which are only allowed to supply fuel blended with biofuel up to a concentration of 25%.

Green Partnerships

The **Port of Oakland** in the USA and the **Port of Yokohama** in Japan have recently signed a Memorandum of Understanding (MOU) known as the Green Shipping Corridor. This agreement aims to facilitate the sharing of best practices for implementing green initiatives in a bid to transform operations throughout the supply chain.

New Vessel Designs

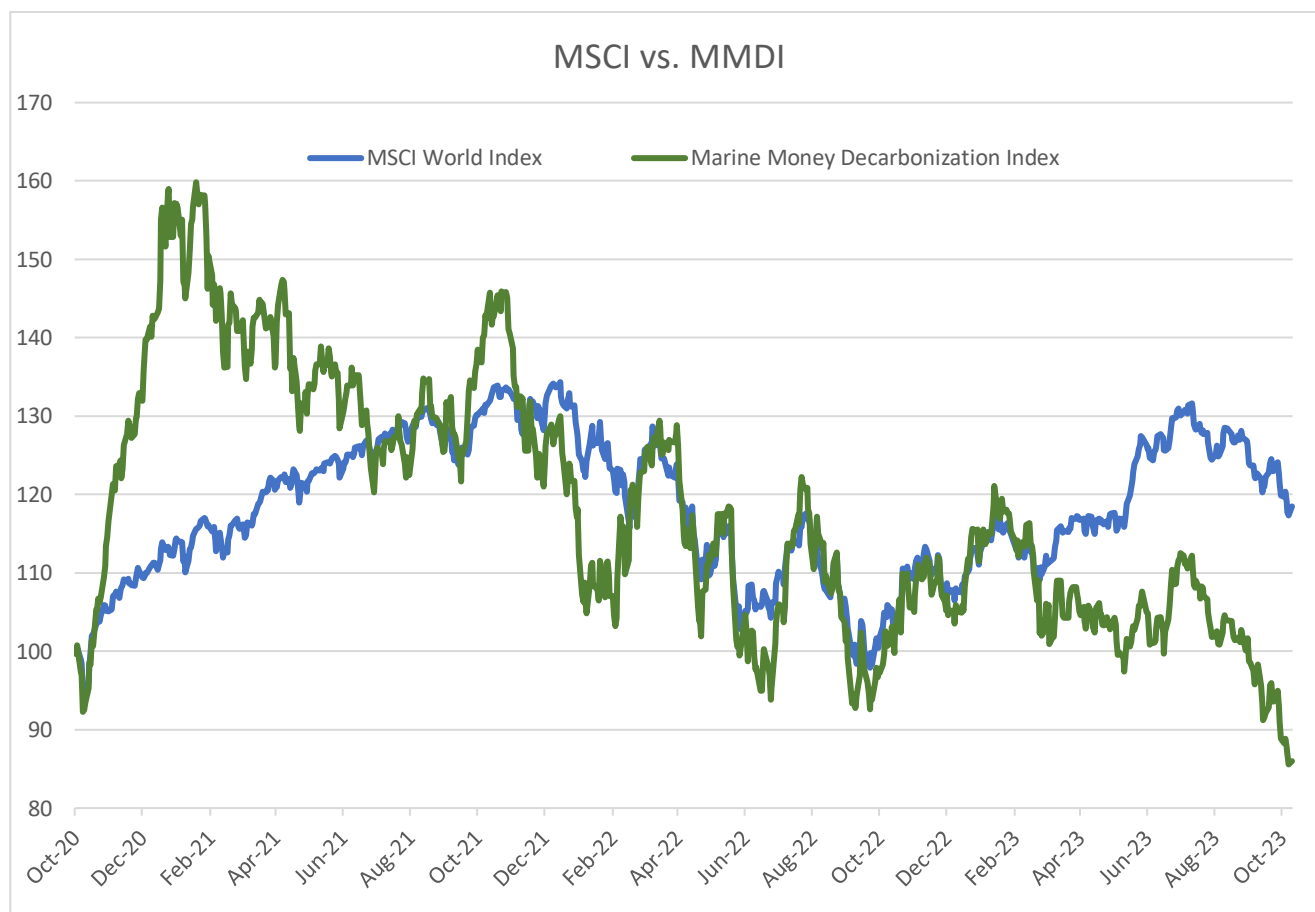
South Korean shipbuilder **Hanwha Ocean**, formerly known as Daewoo Shipbuilding & Marine Engineering Co., has received approval for key innovations at the heart of what is believed to be the world's first carbon emission-free LNG carrier. The steel for Maersk's first 16,200 TEU methanol-fuelled newbuild was cut in December last year.

Shipping Finance

The **Poseidon Principles** have recently made a major update to their framework for assessing and disclosing financial institutions' shipping portfolios' compliance with climate-related goals. This revision comes after the International Maritime Organization's revised GHG strategy was approved during the 80th session of the Marine Environment Protection Committee in July 2023. The new update demonstrates the commitment of 30 leading shipping banks to support the maritime industry's shift towards a sustainable, low-carbon future.

Green Ships

The first coal carrier of Panamax-class that uses LNG as fuel, named Shoyo, has commenced commercial operations after being bunkered with its first fuel in October. The vessel was built by Japanese shipbuilder Oshima Shipyard for compatriot **Nippon Yusen Kabushiki Kaisha (NYK)** and **Kyushu Electric Power Co.** Oshima delivered the coal carrier on October 2.



Relevant Prices

Fuel Prices

	<u>Price</u>	<u>YOY</u>
Crude Oil, Brent	85.01 \$/bbl	-11.6%
Natural Gas, Henry Hub	3.43 \$/MMbtu	-45.3%
LNG, Korea/Japan	17.66 \$/MMbtu	-35.9%
Coal, Rotterdam	121 \$/mt	-47.3%
VLSFO, Rotterdam	591 \$/mt	-5.3%
Methanol, China	32.84 \$/mt	-11.5%
Palm Oil, Malaysia	30.80 \$/mt	-12.8%

Stock Indices

Marine Money Decarbonization Index	272	-12.8%
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Carbon Emission Allowances

EU Emission Allowances	82.23 \$/kt	0.5%
UK Emission Allowances	44.86 \$/kt	-50.2%

Note: All prices as of last closing prior to the report; Sources: Bloomberg and Breakwave Advisors

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