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SHIPPING MATTERS

Macron Takes an Unsteady Grip on Shipping's Environmental Path

The French president reignited a debate over shipping emissions, but some believe his solution would cut investment in next-generation, carbon-neutral vessels

French President Emmanuel Macron wants to slow the speed of merchant ships to reduce emissions, but some say that could cut investment in greener vessels. PHOTO: POOL/REUTERS

By

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French President Emmanuel Macron's call for commercial ships to reduce their speed on the water to address climate change is music to the ears of many shipowners, but maritime regulators aren't likely to join the chorus.

"We will engage with shipping companies to reduce the speed of merchant ships," Mr. Macron said at the Group of Seven summit meeting in France last week. "It is one of the most effective ways to reduce greenhouse gas emissions globally, and this measure would be a real change."

The involvement of a head of state in the details of shipping environmental regulations will raise the heat on the International Maritime Organization, the United Nations' ocean transport regulator, to move faster to adopt emissions-reduction steps over the coming years.

Whether that would lead to an overhaul of the basic operations of oceangoing vessels world-wide is another matter.

Tug boats guide a Maersk container ship near a Chinese port. **PHOTO:** QILAI SHEN/BLOOMBERG NEWS

Most IMO member states see the tactic known as slow steaming as impractical to enforce. They also believe it will delay necessary investment in new ships that would use carbon-neutral engines.

Shipping companies have used slow steaming before, not for the environmental benefits but to effectively reduce capacity and cut fuel costs in the wake of the 2008 financial crisis while keeping vessels operating. The IMO said in a 2014 report that the average speed of ships declined 12% from 2008 to 2012. The report said shipping's contribution to global greenhouse-gas emissions fell from 2.8% in 2007 to 2.2% in 2012.

Maritime broker Clarkson PLC wrote in a separate report that average vessel speeds have declined by around 21% across all ship types over the past 10 years, and that fuel consumption and CO_2 emissions in the sector has declined by an average 18%.

That reduction has come with a broader restructuring of the maritime sector, with massive consolidation over the past five years and a move by the remaining carriers to operate larger but fewer vessels.

For retailers and manufacturers, a slow-steaming mandate would ripple across international supply chains, with products taking more time to arrive and companies likely paying more for transport costs because of the longer sailings.

"Cargo will be delayed, there will be higher stock volumes and more waiting days at port terminals and more port congestion," said Jordi Espin, maritime policy manager at the European

Shippers Council, which represents Europe's biggest exporters and importers.

Shipping companies would have to add more ships in major trade loops between Asia and Europe to make up for the delays, experts say.

"If more ships are added to compensate for slow steaming, it will cost significantly more to move cargo and I don't know how will this help the environment," said Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation, a trade body representing America's biggest retailers.

France first made its slow-steaming proposal at the IMO in April, backed by other European countries, including Greece, Germany, Belgium and Spain, where local owners make money by chartering their ships. But the move, which is going to be discussed again in November, "is not gaining traction, with South American and Asian countries being flatly against," according to a senior delegate participating in the talks.

"I don't think it will pass," this delegate said.

An array of countries including Japan, Korea, India, Chile, Argentina, Brazil and Turkey fear slower deliveries in an industry already being hit by trade disputes and a weakening global economy, would harm transport of meat, vegetables and other time-sensitive exports.

The U.S. and China are also leaning against the proposal.

Ships move the world's commodities like oil, iron ore and grains and the vast majority of retail manufactured goods, including cars, home appliances, clothing and food.

They also collectively contribute up to 3% of the world's global pollution, an amount comparable to major emitting countries. To comply with the 2016 Paris climate accord, IMO members have agreed to improve fuel efficiency by 30% by 2025 and pledged to slash greenhouse gas emissions by half by 2050, compared with 2008 levels.

That effort is starting to reset the fundamentals of how ships get their power.

Ships have a 20- to 25-year lifespan so any new orders over the next decade will have to be for vessels with new designs that will burn ammonia, hydrogen, batteries or biofuels as a means of propulsion.

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"Mandatory speed reduction will favor old, inefficient ships in service and remove the incentive to engage in efficiency improving innovation," said a spokeswoman for A.P. Moller-Maersk A/S, parent of Danish container ship behemoth Maersk Line, which has pumped billions of dollars into bigger and more efficient vessels.

Lars Jensen, head of Copenhagen-based SeaIntelligence Consulting, said the industry can't afford to invest in new, environmentally friendly ships while also buying conventional vessels to mitigate the impact of slow steaming on their services and finances.

"It will either go to build the next generation of sustainable ships, or to build more conventional ships to adhere to an artificial speed limit," he said.

Big banks including Citigroup Inc., France's Société Générale SA, Norway's DnB AS A and Netherlands-based ABN AMRO Bank NV recently said they would take climate considerations into account for the first time when extending shipping loans.

The banks, with a combined shipping portfolio of about $100 billion, signed in June an industrial framework known as the Poseidon Principles, which will direct new money for shipping toward environmentally friendly vessels.

"We will say yes for those kind of vessels that contribute to green shipping and no to others that are not needed in the world fleet," said Michael Parker, chairman of Citigroup's shipping and logistics business "That's how you help the environment, not slow steaming."

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