



## Choppy Waters Ahead for Global Shipping

Global shipping faces a number of challenges. These range from massive debt, a potential shortage of gas carriers and increased costs from low sulphur targets from 2020 which will push up costs.

**Lord Howell**, chairman of WEG, chaired an expert review hosted by **Gateley** law firm in their City offices. The expert speakers were:

- **Peter Stokes**, Head of Shipping, Lazard
- **Edmund Hughes**, Head, Air Pollution and Energy Efficiency, IMO
- **Kathi Stanzel**, Managing Director, Intertanko
- **Luisa Sykes**, Principal Oil and Gas Consultant, Cornhill Economics

### Key points were:

- 51% of global trade is carried on ships, only 1% by air.
- Hanjin collapse however shows weakness in sector.
- M&A underway as shipping lines consolidate.
- Shortage of gas carriers expected within three years.
- Big debts being carried on unsecured shipping loans.
- The debts could kill off some the over-exposed banks.
- Some non-US lines are seeking US Chapter 11 protection.
- China is heavily involved as its trade has rapidly expanded.
- Equity is being sought but investors are wary of poor returns.
- IMO is expanding its low sulphur requirements by 2020.
- Enforcement remains unresolved.
- Those who comply will be at a price disadvantage .
- Cleaner emissions will add \$30bn per annum to shipping costs.

- New ships are now designed to be 20 per cent more efficient.
- Ballast water management systems will also add to costs.
- Supply of low sulphur is inadequate to meet global needs.
- Ships will convert to gas or install scrubbers to remove pollutants.

**Photos**



