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THE TAX CONCESSIONS EDITION





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WELCOME TO HONG KONG MARITIME WEEK 2023

This year Hong Kong hosts the global maritime community through a week comprising more than 40 industry-themed events and activities. Additional funding from the Hong Kong Government has assisted in the organization of the most spectacular congress in the seven-year history of Hong Kong Maritime Week (HKMW).

During that short history HKMW has gained recognition as a key shipping gathering and is actively supported by twelve of the world's leading maritime organizations including:

Asian Shipowners' Association, Baltic and International Maritime Council (BIMCO), China Maritime Law Association, China Shipowners' Association, China Shipowners Mutual Assurance Association, Comité Maritime International, Hong Kong Maritime Law Association, International Chamber of Shipping (ICS), International Group of P&I Clubs, International Union of Marine Insurance, Maritime London, and The London Maritime Arbitrators Association.

Hong Kong maritime has a better story to tell than ever. In the 12 months since the last showcase, measures have been introduced to enhance the international maritime centre and plans for more of the same firmly in place. The construction of the Special Administrative Regions' first LNG Terminal, which began operation in July this year, comes fitted with the world's largest floating storage and regasification unit, which is operationally ready to provide LNG bunkering services to visiting ocean-going vessels.

Hong Kong's smart port ambitions are a work in progress. A common digital platform began trials this year and will be upscaled in 2025.

In October this year, the Government announced it will study the feasibility of providing green methanol bunkering for both local and ocean-going vessels, and promulgate next year an action

plan for the construction of bunkering facilities and development of supply chains. The administration also intends to take forward the preparatory work, including technical studies and installations, on providing LNG bunkering for ocean-going vessels.

Meanwhile, a long-awaited plan for a long-term maritime and port development strategy will be published before the end of the year together with the Action Plan on Modern Logistics Development.

But the introduction of generous tax concessions for selected businesses in the maritime sector is expected to grab the attention of visitors attending HKMW this year.

The Hong Kong Administration first introduced tax benefits for ship leasing firms in 2020. Incrementally, similar concessions were effected for a range of shipping commercial principals by 2022.

In retrospect the launch of this potentially game-changing initiative could not have been flagged up at a worst time, when the territory went into virtual isolation against the ravages of the global pandemic.

With the aim of attracting maritime businesses to establish a presence in Hong Kong, it amounts to the boldest move so far by an Administration intent on attracting maritime businesses to establish a presence here. To make up time lost, several events during HKMW will highlight the benefits to be enjoyed under the new tax regime.

You could consider this a coming out party for all that's best in Hong Kong maritime. You'd be well advised to consider staying.

Editor
Mike Grinter



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HONG KONG MARITIME LOOKS TO A BRIGHT FUTURE WITH IMMINENT PUBLICATION OF LONG-TERM STRATEGY DOCUMENT

Chairman of the Hong Kong Maritime and Port Board’s Maritime and Port Development Committee, Captain Bjorn Hojgaard, discusses a wave of far-sighted initiatives set to transform the international shipping centre

It is understood that the findings of the Hong Kong Maritime and Port Board (HKMPB) Task Force on Maritime and Port Development Strategy will be available by the end of the year. In the interim could you offer some insight into the key areas of consideration when embarking on the project?

As announced in the 2023-24 Budget, we are formulating an action plan on strategies to enhance Hong Kong’s position as an international maritime centre.

These strategies include –

- (i) enhancing business sectors such as ship finance, marine insurance, maritime arbitration and ship management, thereby enabling Hong Kong to become a global leading high-end maritime service market;

- (ii) facilitating transformation of global maritime and port business towards zero emission;
- (iii) promoting the development of smart initiatives and digitalisation in the maritime industry; and
- (iv) promoting exchanges and collaboration among maritime industries in the Greater Bay Area (GBA) and those around the world.

In relation to the aforementioned strategies, we have identified nine key areas focusing on enhancing maritime services and strengthening our port competitiveness and connectivity. These include: (i) strengthening policy research capacity; (ii) promoting Hong Kong Shipping Register; (iii) attracting and maintaining maritime talent; (iv) smart port development; (v) stepping up promotional efforts; (vi) enhancing GBA collaboration; (vii) promoting maritime arbitration; (viii) offering more tax incentives; and (ix) green port development.



Bjorn Hojgaard, Chairman of the Maritime and Port Development Committee

As announced in the 2023-24 Budget, we are formulating an action plan on strategies to enhance Hong Kong's position as an international maritime centre.



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Further measures to be formulated under these key areas will together solidify Hong Kong's position as an international maritime centre through enhancing the long-term competitiveness and sustainability of the maritime industry.

The possibility of LNG bunkering in Hong Kong from the new LNG terminal seems to be shrouded in mystery. Could you please provide clarity?

As an international maritime centre, Hong Kong has been promoting the development of green port through different measures and encouraging the industry to adopt more sustainable shipping initiatives.

For instance, Hong Kong as an Associate Member of the International Maritime Organization (IMO), is obliged to ensure that the local legislation is in compliance with the latest requirements of the IMO on environmental protection, including the ambition of reaching net-zero greenhouse gas emissions by 2050. Hong Kong was also the first port in Asia to mandate ocean-going vessels (OGVs) to switch to low sulphur fuel while at berth.

The Transport and Logistics Bureau, Environment and Ecology Bureau and relevant departments had set up a joint working group to closely follow up with the sector regarding specific arrangements to promote LNG bunkering for OGVs in Hong Kong, including actively studying the use of the offshore LNG terminal newly constructed by the two power companies as a bunkering facility for OGVs, planning for LNG bunkering areas, and formulating technical requirements and related safety regulations and requirements for offshore LNG bunkering.

The HKMPB will work closely with the Government with a view to developing Hong Kong into a high-quality green fuel bunkering centre.

Could you provide an update on developments toward smart port?

Good progress is being made in the development of smart port. Our primary focus is to enhance the competitiveness of the port through the establishment of a digitalised port community system (PCS). The PCS is established to facilitate seamless data flow and sharing among stakeholders in the maritime, port, and logistics industries. By leveraging advanced technologies and data-driven processes, the platform aims to streamline port operations, enhance coordination among various parties, and improve overall efficiency. Stakeholders in the port community can communicate more effectively and access information efficiently, leading to reduced cargo handling time and costs.

The PCS project is being implemented in phases. A trial data sharing platform focusing on handling of cold chain products has been rolled out in Q3 2023. Further system trials will be carried out by our consultant Logistics and Supply Chain MultiTech R&D Centre. The goal is to expand the platform for wider adoption by 2025.

The implementation of the trial platform is an encouraging achievement. It demonstrates the commitment of the HKSAR Government and the Task Force on Smart Port Development under the HKMPB to promote innovation and digitalisation in the maritime and port industry. Moving forward, continuous collaboration between the Task Force and the trade will remain crucial. By working together, we can further refine the PCS and address specific requirements and challenges identified during the trial phase. This collaborative approach ensures that the PCS evolves into a robust and comprehensive system that meets the needs of stakeholders involved. The PCS also sets the stage for continued progress and paves the way for future advancements in port efficiency, competitiveness and digital innovation.

Has there been any cooperation between HKMPB and the Office for Attracting Strategic Enterprises?

As members of the maritime industry, we are all very encouraged by and welcome the Government's establishment of the Office for Attracting Strategic Enterprises (OASES) at the end of last year. This strongly demonstrates the Government's proactive efforts to enhance Hong Kong's competitiveness and commitment to accelerating industry development. All along, the HKMPB has been working closely with Government departments and related organisations, such as InvestHK and Hong Kong Trade and Development Council, to bolster Hong Kong's strength and attractiveness as an international maritime centre. A few cooperation initiatives include engaging them as partners for the Hong Kong Maritime Week; promoting the Government's latest maritime-related policy initiatives through platforms of other Government agencies as well as inviting Government Bureaux/ departments (including OASES)'s participation in high level events involving prominent international shipping organisations such as the Baltic and International Maritime Council. In line with Government's overall strategy of enlarging the maritime cluster in Hong Kong, we look forward to collaborating with OASES to bring in even more high-potential maritime and port-related businesses to set up offices in Hong Kong.



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USING STRATEGIC INCENTIVES, THE MANPOWER DEVELOPMENT COMMITTEE PROVES THE LURE OF THE SEA CAN STILL STIR THE IMAGINATION

Chairman of the Manpower Development Committee, Willy Lin maintains recruitment challenges can be overcome with the right approach

Which sectors of Hong Kong's maritime industry have the keenest demand for staff/labour, and what is being done to cope with that?

Globally, there is a shortage of manpower in all sectors of the economy. The working habits of the workforce after COVID-19 has changed. In Hong Kong, the maritime services industry has faced challenges in recruiting new blood. As identified by the 2023 Manpower Update Report on Maritime Services Industry, published by the Vocational Training Council, the industry is facing challenges in attracting new technical personnel, in particular for cadets, for the ocean-going sector, and trainees for the local vessel sector.

To sustain and enhance support for manpower development for the related industries, the Government has injected \$200m into the Maritime and Aviation Training Fund (MATF) this year, capitalising the Fund with a total commitment of \$500m. This

injection will help introduce enhancement measures for existing incentive schemes, promote the development of highend, high valueadded and smart maritime services, and encourage the industry to launch promotional activities on all fronts in collaboration with tertiary institutions and other professional organisations. This will enhance the industry's image and attract more young talents. Additionally, with the new injection, local, Mainland and overseas promotion of Hong Kong's advantages in the maritime services will be stepped up.

Moreover, the Government expanded the Talent List in May 2023 for immediate application to the Quality Migrant Admission Scheme, General Employment Policy, and Admission Scheme for Mainland Talents and Professionals. Among the professions listed, four are maritime-related, namely "Specialist Insurance Professionals (Maritime)", "Naval Architects", "Marine Superintendents", and "Shipping Finance Professionals". The

To sustain and enhance support for manpower development for the related industries, the Government has injected \$200m into the Maritime and Aviation Training Fund (MATF) this year, capitalising the Fund with a total commitment of \$500m.

Chairman of the Manpower Development Committee,
Willy Lin





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expanded list will help Hong Kong attract more high-quality talent to support the maritime services development.

Could you provide details of the Maritime Services Traineeship Scheme and any other new initiatives of the Maritime and Aviation Training Fund?

The Maritime Services Traineeship Scheme is the latest key initiative introduced to support and enhance manpower development for high value-added maritime services in Hong Kong. The scheme aims to incentivise maritime user companies to provide bespoke traineeship for young recruits, through Government subsidies, in designated maritime-related regimes. This will not only add value to the businesses of the designated regimes concerned, but also further the maritime services of Hong Kong and ultimately enhance Hong Kong’s status as an international maritime centre.

Maritime legal is the first profession that the MDC has designated to kick off the scheme on a pilot basis. From September 15, law firms and barristers are welcome to join this new scheme, under which a monthly subsidy of HK\$20,000 in respect of each trainee (a maximum period of 24 months for trainee solicitor and a maximum period of 12 months for pupil) will be provided by the MATF. Each participating firm or barrister will receive funding support not exceeding \$500,000 per year. The availability and quality of our legal services are vital for Hong Kong to perform its role as an international arbitration centre. The scheme will definitely help nurture more home-grown maritime lawyers to support the flourishing maritime cluster.

As part of our ongoing efforts to strengthen the effectiveness of MATF, we will continue to enhance existing incentive and scholarship schemes. For instance, we extended in April this year the eligibility of the Maritime and Aviation Internship Scheme to all full-time students who are undertaking undergraduate or sub-degree programmes of any tertiary institutions in or outside Hong Kong, as well as to secondary six school leavers, enabling them to have early exposure to the maritime industry. With other enhancement measures, applications for maritime internship places are now open and accepted throughout the year.

Furthermore, MDC has recently endorsed a series of proposals to raise the incentive amount, extend the subsidy period, or introduce new subsidy item for new joiners or experienced practitioners within the ocean-going sector, local vessel sector and shore-based sector alike.

The impending enhancement measures of the MATF will help attract, retain, and motivate young graduates to take up sea-

going or ship repairing training, or incentivise industry players to pursue higher professional qualifications. All these measures will be rolled out by the end of March 2024 to maintain a vibrant, diversified and competitive pool of professionals and technical personnel to support the further development of the maritime industry in Hong Kong.

Will you be conducting any promotional events in the next 12 months subsequent to the sharing session held on 17 July?

For the Hong Kong Maritime Week this year, we have invited “M.V. Yu Kun”, the nation’s first ocean-going vessel dedicated for maritime training, and managed by Dalian Maritime University (DMU), to visit Hong Kong. Certain training facilities and common areas of Yu Kun will be open to the public during the visit. Exchange forums with Hong Kong industry practitioners or students from secondary schools, universities, training institutions providing maritime-related training have also been planned.

As in previous years, MDC will continue to participate in the annual Education and Careers Expo organised by the Hong Kong Trade and Development Council to promote maritime careers. The next edition of this territory-wide event has been scheduled for 25 to 28 January 2024. Through information panels, career videos, booklets and interactive games, made available at the Expo, we will reach out to young people and visitors to promote the career opportunities and prospects in the maritime industry.

What is the committee organizing to promote maritime as a career to schools and universities in Hong Kong?

To enhance public awareness and improve understanding of the maritime industry, we have been actively promoting the manpower development aspect of the maritime industry by organising and participating in various publicity activities. Apart from sponsoring stakeholders to organise promotional activities through MATF, we have engaged a youth services organisation to conduct maritime-themed STEM workshops for primary school students, as well as social enterprises to provide maritime-themed career planning workshops for primary and secondary school students in the coming year.

We shall also maintain our efforts in joining job fairs and arranging career talks in collaboration with trade organisations and professional bodies. We have arranged industry organisations to deliver talks on careers in the local vessel industry as well as invited professional bodies, such as the Hong Kong Federation of Insurers, to speak to university students on their career prospects in the high value-added maritime services.

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THE PROMOTION AND EXTERNAL RELATIONS COMMITTEE'S SHOWCASING OF HONG KONG'S INTERNATIONAL MARITIME CENTRE IS MET WITH WORLDWIDE APPROVAL

With the aid of additional government funding, the chairperson of the Promotion and External Relations Committee, Rosita Lau MH, has led the most effective campaign to date

It has been suggested that part of the HK\$20m promised by the Government for long term strategies in the maritime sector would be available for an enhanced Hong Kong Maritime Week (HKMW) this year. Could you give an indication of how the money will be spent?

In the 2023 Budget Speech, the Financial Secretary announced that the Government would earmark \$20m to expedite studies on strategies for promoting the high-end maritime service industry and enhance exchanges among industries in the international arena and the Greater Bay Area (GBA). The scale of the annual flagship event Hong Kong Maritime Week (HKMW) has also be expanded.

These plans and undertakings of the Government have been carried out. So far as HKMW is concerned, the seventh edition of HKMW, organised by the Hong Kong Maritime and Port Board, will be held from 19 to 25 November 2023. The theme of HKMW2023 is "Recharging the Maritime Industry". We are pleased to continue to join hands with the Hong Kong Shipowners Association (HKSOA) and the Hong Kong Maritime Museum as our co-organisers, and the Hong Kong Trade Development Council (HKTDC) and Invest Hong Kong as our partners. One indication that Hong Kong's maritime industry has been recharged after the pandemic is that we are now honoured and grateful to have the support of more world-leading maritime organisations as support organisations. The number of supporting organisations rose to twelve this year with the International Union of Marine Insurance (IUMI), China Shipowners Mutual Assurance Association (China P&I Club), and the International Group of P&I Clubs joining the league.

More importantly many of these supporting organisations will send their senior representatives, such as Chairmen, Presidents, and Secretary Generals to fly to Hong Kong to hold activities in the week and to attend other activities. Their participation and contributions will further enhance the significance and impact of HKMW.

This year, money was spent on holding eye-catching activities jointly with leading international maritime entities or associations,



Rosita Lau, Chairperson of the Promotion and External Relations Committee

and widening the scope of the publicity of the HKMW. The scaled-up seventh edition of the HKMW has attracted an expanded presence of international maritime organisations and participants, showcasing over 40 industry-led and public activities organised by more than 60 local and international maritime organisations, including some first-time activity organisers for HKMW. The content of the programmes is also much enriched. The HKMW has continued to attract global maritime organisations' participation, including Det Norske Veritas (DNV AS), IUMI, INTERTANKO, and Mare Forum.

A further breakthrough this year is HKMW's collaboration with China Merchants Group, to jointly organise the HKMW Opening Ceremony-cum the heavy weight 3rd World Maritime Merchants Forum on 20 November. Top leaders, decision-makers, and experts from various sectors within the maritime field will gather to celebrate the opening of the HKMW and conduct in-depth discussion and exchanges on topical issues within the maritime industry. The Chief Executive of the Hong Kong Special Administrative Region (HKSAR), and distinguished guests such as

the Secretary General and CEO of BIMCO, the Secretary General of the International Chamber of Shipping, the Chairman of China Merchants Group Limited, and the Chairman of HKSOA will deliver speeches at the opening ceremony and forum.

A Gala Dinner will also be arranged in the evening for top-echelon industry leaders for more conducive and in-depth interactions and communications. We are delighted that the Financial Secretary of the HKSAR will be gracing the Dinner with his presence.

As in past years, the HKTDC and the HKSAR Government will continue to hold the Asian Logistics, Maritime and Aviation Conference (ALMAC), which is another signature event of the HKMW. The ALMAC comprises a two-day congress held at the Hong Kong Convention and Exhibition Centre on 21 and 22 November. With the re-opening of Hong Kong, this year the ALMAC brings together experts and practitioners from the maritime, shipping, logistics, air freight and supply chain industries, to exchange market intelligence and explore business opportunities in the region. Many of the participants will come to Hong Kong to participate in the Conference in person.

As mentioned, to draw the public's attention to our comprehensive HKMW programme, and the high-profile opening ceremony, this year an even wider publicity campaign covering local and international audiences has been launched, including the placement of a prominent outdoor billboard at the entrance to the busiest cross-harbour tunnel and video advertising on popular television channels, outdoor TV wall, various social media platforms, advertisements and advertorials on various maritime-related websites, newspapers and trade publications.

We are confident that HKMW2023 will garner many opportunities, showcase Hong Kong's strength as an international maritime centre and gather together maritime professionals from across the globe.

The event will serve as a platform for meaningful exchanges among key stakeholders, fostering collaboration and partnership opportunities. By showcasing Hong Kong's status as a maritime hub with extensive connectivity to both the mainland and overseas, the HKMW will further manifest the prominence of Hong Kong in the global maritime community. We look forward to welcoming participants from around the world to join us in this momentous occasion, and contribute to the success of the HKMW.

Where are the priorities for overseas and mainland promotion of Hong Kong's international maritime centre this year?

Hong Kong as an international maritime centre is famous for its all-round quality maritime services, ranging from ship owning, ship agency and management, ship broking, marine insurance, maritime legal and arbitration services.

Going forward, our priorities are to proactively work hand-in-hand with the trade to step up efforts in promoting Hong Kong's status as an international maritime centre externally to places like Mainland China, in particular in Shanghai, the GBA and other popular maritime centres overseas. We aim at elevating Hong Kong's global presence, building strong connections with prominent players across the maritime and port industry, and attracting them to set up base in Hong Kong. We will continue to reach out to enterprises, particularly commercial principals, to encourage them to tap into the unique advantages that Hong Kong offers, such as our resilient business environment, Common Law system, worldclass professional services, and many more. Regarding the maritime services that we will promote, our priorities are to showcase our excellent tax allowance scheme for qualified ship-leasing business players, our maritime legal services and in particular our maritime arbitration services so that Hong Kong becomes the regional and international legal services and dispute resolution centre as envisaged under the GBA Initiative and the National 14th Five-Year Plan.

When it comes to promotional events during the year, some might think there is an overreliance on HKMW. What is the committee doing to encourage other international maritime events through the year?

In fact, beyond the HKMW, the Promotion and External Relations Committee has been participating in various regional and international maritime events and by doing so, has been promoting Hong Kong's maritime services externally throughout the year. Examples are plenty, I was invited to speak on Hong Kong maritime arbitration in the Oceanic Day of Mainland China by the Shenzhen International Court of Arbitration. Other committee members attended overseas events such as London's International Shipping Week.

As established in the National 14th Five-Year Plan and the GBA Development Plan, the Central Government staunchly supports the consolidation of Hong Kong's status as an international maritime centre and the development of high-value-added maritime services in Hong Kong. Under the dual advantages of "one country, two systems", Hong Kong is strategically situated in the southern gateway of our country to serve as both a super-connector that strengthens cooperation and synergy within the GBA as well as a bridge that connects the GBA cluster with the global community. In this regard, we are actively exploring the possibilities of organising annual mega-events, such as the Greater Bay Maritime Forum, and similar international forums. These events would serve as platforms to facilitate collaboration among industry players within the GBA, showcase the collective strength of the GBA maritime cluster, and foster stronger connections between the GBA and the rest of the world.

AI: HERE TO HELP

For an industry that moves at between 10-20 knots, or on occasion even drifts, shipping is embracing artificial intelligence with alacrity as various sectors investigate AI's potential benefits, even if they are unsure where the journey might lead, writes Keith Wallis

A raft of shipping related companies, from shipowners and ports to communications companies and law firms, are involved in AI initiatives, either by focusing on the efficiencies AI can potentially bring, or probing the potential risks.

What arguably started out with firms such as Rolls-Royce and Singapore's Zycraft developing autonomous ships around a decade ago has morphed into technology companies launching applications for specific issues. These include vessel routing, port monitoring and even draft assessment.

Overarching these approaches is a desire to harness both the efficiencies and cost savings it is assumed AI can bring by freeing up people from mundane tasks for more productive activities.

The National Bureau of Economic Research, a US-based non-profit organisation, in a May 2023 report estimated that 31% of the time spent by people working in the transportation industry could be automated using generative AI. That compared with 35% for people working in engineering and 41% for those in professional services including legal and finance.

Simultaneously, it's assumed AI will allow firms to work quicker and smarter, analysing data to pick out trends or data that staff would miss, thus allowing firms to be more proactive rather than reactive to challenges and opportunities.

This will have a significant impact on the 1.8m global maritime workforce. Many of their roles and responsibilities are set to change as advanced technologies encroach further into vessel operations.

Not the threat envisaged?

The Korean Ministry of Trade, Industry and Energy noted in a survey that the introduction of smart and eco-friendly ships will increase the number of technically capable employees from around 35,500 in 2018 to 49,000 in 2028.

For an industry that has long suffered from a rapidly ageing workforce and difficulty recruiting and retaining people, especially seafarers, the maritime sector's technological transformation could prove something of a renaissance.

The head of a leading shipowner suggests the industry's shift



to different technologies would be a powerful lure for youngsters to the sector.

"They have digital skills that are attractive to the maritime industry. By adopting AI, the shipping industry looks to be on a path to attracting more young people. The use of AI is a fascinating leap for the industry," he said.

It's worth explaining the two different types of AI – machine learning which uses algorithms to dissect data and make decisions or predictions from it, and generative AI (genAI) that see patterns in data and creates new content based on that data.

The recent Global Maritime Trends report commissioned by Lloyd's Register from Economist Impact, said that as society moves to embrace technology and data, personnel will be assisted by custom versions of AI, and other digital tools, to complement their existing skills.

"This could make the maritime industry more appealing to a newer generation of seafarers and also help alleviate some of the challenges that these workers face around health and wellbeing, connectivity between shore and sea, and system and process efficiencies," the report added.

Pointing to further opportunities for AI use in the maritime sector, the report said merchant vessels will increasingly rely on



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“Today’s empirical models process about 10% of vessel data, compared with 90% for AI models, which can then generate accurate performance insights. In this way, AI-driven models can optimise decision-making, and even address safety issues that may arise due to lack of situational awareness or data.

“By 2050 it’s possible remotely controlled or even fully autonomous small commercial ships could operate near coastal areas with absolutely no crew onboard,” the report noted.

Safety first

The safety related advantages of AI were highlighted by satellite outfit Inmarsat Maritime during a presentation at London International Shipping Week in mid-September.

Marco Camporeale, the firm’s senior director, strategy and growth markets, explained how, “AI-powered navigation can predict hazards and suggest alternative routes, reducing the risk of collisions and grounding incidents. Advanced computer vision systems can also assist with identifying and tracking other vessels, thereby improving situational awareness and collision avoidance.”

South Korea’s Seadronix has already developed AI-based ship berth monitoring and navigation systems including AI-enabled situational awareness technology to reduce the risk of collisions and other incidents. The company, which has contributed to the International Maritime Organization’s Maritime Autonomous Surface Ships (MASS) code for autonomous ship operations, sees AI-enabled berthing and navigational systems as key to the deployment of autonomous vessels.

Kawasaki Kisen Kaisha (“K” Line) has a focus on port safety. The Japanese shipowner has teamed up with TIS Inc and Miotsukushi Analytics to develop a draft survey application that uses AI to recognize the water surface and the draft water mark from an image captured on a smartphone. AI removes the impact of the waves to accurately measure the available draft, a process currently done by crew or surveyors watching the water which in turn has led to mistakes. “K” Line and its two partners filed a patent application for this newly developed application at the end of July 2023.

But Inmarsat’s Mr Camporeale has warned that ship to shore connectivity is one of the biggest stumbling blocks to AI-related systems implementation onboard. Of the 140,000 vessels over 5,000 gt registered with the IMO less than 30,000 had sufficient bandwidth to stay connected to the networks operating smart systems.

Meanwhile, the Economist Impact report highlighted the use of genAI, identifying the SeaGPT AI chatbot which facilitates



**Hing Chao Executive Chairman
Wah Kwong Maritime Holdings**

“communication between crew managers and port agents, automates processes including drafting emails and extracting information from communications with port agents for use by crew members”.

“SeaGPT is expected to eventually become an executive assistant to the crew, retrieving data to handle communication that does not require direct human involvement,” the report predicted.

Hong Kong’s Wah Kwong Maritime Transport sees similar AI uses in its ship operations. It formed a strategic partnership in August with Shenzhen-based AI startup, ZhenDui Industry Artificial Intelligence to look at AI applications for its business including reducing vessel emissions.

“We already see AI being applied to ship management. We are hoping to become one of the first truly smart ship management and shipping companies in the world,” Wah Kwong executive chairman Hing Chao said in an interview with Forbes magazine.

Maersk has also been a strategic investor in several AI-focused start-ups including a platform that uses AI to optimise routes and scheduling to improve efficiencies in vessel operations, a freight booking operation and logistics related business.

In July, Maersk implemented an AI-enabled robotic system to automate and accelerate warehouse operations at a facility in Europe which can sort orders three times faster than conventional means.

Today, the sheer sophistication and variety of tasks and applications AI can perform and its as yet untapped potential continues to baffle many in maritime related businesses. This was brought into focus at a recent Hong Kong Shipowners’ Association lunch when an attendee was asked if his company was looking at using AI.

“We are. We feel we should use it somehow but we are not sure where or how,” the executive replied.

This daunting dilemma was recently raised by Bernard Marr, tech columnist at online media company Reconteur, who said forming and implementing an effective AI strategy can feel like a mammoth task.

Mr Marr identified a three-step approach that started with first identifying areas of the business where AI has the most impact to maximise its potential. Secondly was the need to set well-defined goals and implementation schedules while identifying potential roadblocks to the process and forming contingency plans to manage problems. The third step covered change management and how the AI strategy affected people and jobs.

“Transparency and adaptability are the keys to a smooth transition,” Mr Marr concluded.



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MEPC80'S IMPACT FOR SHIPPING

There was general anticipation before MEPC80 that the IMO meeting, 3-7th July, would produce real breakthroughs too assist shipowners in many areas, especially in finding ways to reduce shipping's greenhouse gases, writes Martin Cresswell, technical director at Hong Kong Shipowners Association

What transpired was bittersweet. A new IMO 2023 GHG strategy was approved but without any Technical or Economic plans agreed on how to reach it. Shipping is being pushed to rapidly lower GHG emissions but without rapid availability of new low and zero emission fuels the new goals will be very difficult to achieve.

Also, on more mundane, but important, day to day issues there was little progress revising the ballast water convention, CII, or the adoption of carbon capture.

The 2023 GHG strategy on reduction of GHG emissions from ships

The major achievement of MEPC80, after long and at times achromatic discussions, was the adoption of a new 2023 IMO GHG strategy, for the reduction of GHG emissions from ships. This is encapsulated in MEPC.377(80) 2023, which includes revised levels of ambition and a timeline for a comprehensive impact assessment for the selection of mid-term measures. The final agreement was passed by delegates with a show of hands and thunderous applause by all.

The new levels of ambitions agreed within the revised strategy are:-

To peak GHG emissions as soon as possible and to reach net-zero by, or around, 2050, mindful of different national circumstances.

A reduction in CO₂ emissions per transport work (carbon intensity) by 2030 to be at least 40% as an average across international shipping compared to 2008 levels.

Indicative checkpoints to reach net-zero GHG emissions from international shipping of 20% striving for 30% by 2030, and 70% striving for 80% by 2040, compared to 2008.

Low-carbon and zero-carbon fuels/energy source uptake for international shipping to be at least 5%, striving for 10%, by 2030.

To reduce GHG emissions on a well-to-wake basis, as addressed in the LCA Guidelines.

To reduce GHG emissions within the boundaries of the energy system of international shipping and prevent a shift of emissions to other sectors.

Recognition of the need for a broad approach to regulating the safety of using zero or near-zero GHG emission technologies, fuels and/or energy sources, including addressing the human element, to ensure a safe implementation of the Strategy.

Review, with the aim of strengthening, the energy efficiency design requirements for ships.

The final report for the impact assessment of the 2023 GHG Strategy will be reviewed at MEPC 82, (Oct 2024). The new Mid-Term measures are expected to enter into force in 2027. The timeline includes a completion date for the review of short-term measures i.e. CII, before 1st January 2026. The next revision of the new GHG strategy will be in 2028.

Technical and economic measures to transition to low and zero emission fuels

To meet the 2023 GHG strategy new Technical and Economic measures need to be developed. Time ran out to have any meaningful discussions at MEPC80, however, a work scope and

timeline was agreed to discuss them at MEPC81, (March 2024). The IMO is developing a draft plan for delegates to consider at MEPC 81, with a view to adoption through an extraordinary MEPC session between MEPC 83 and MEPC 84, (Spring 2026). This will enable the new GHG strategy to enter force in 2027. To secure an agreement suitable fiscal measures will be needed to subsidize the cost of the new low and zero emission fuels which are considerably higher than current fossil fuels. Some delegations submitted plans to MEPC80 suggesting that ships that cannot use low or zero emission fuels should be penalized, rewarding ships that can. When looked at closely this will not work for long as the penalized ships will quickly be put out of business and recycled with the rewards disappearing with them. Some delegations have proposed levies of up to US\$300/tonne of GHG emitted, others claim they can only accept US\$25 to \$50/ tonne. Consensus will not be easy.

Greenhouse gas fuel standards (GFS)

Another complex issue that was discussed by delegates at MEPC80 is a regulatory mechanism to govern the amount carbon or GHG equivalent permitted in marine fuels by requiring fuels to have progressively lower GHG content. This is considered a goal-based, mid-term technical measure, designed to stimulate demand for low- and zero-emissions fuels. The measure targets Well to Wake (WtW) fuel emissions and sets requirements for ships to use fuels that have WtW intensity at or below certain limits. The standard is expressed as the “mass of GHG emissions per unit of energy used on-board a ship”, and the limits are expected to be increased over time based on the goals of the IMO strategy. During the initial transition period, two flexible mechanisms are proposed for ships that cannot meet the targets, (non-compliant ships). Ships that have overachieved the targets will get surplus

rewards that can be traded with non-compliant ships. If there are no surplus rewards available to buy, non-compliant ships can pay a defined contribution to a IMO GHG fund to enable them to keep trading. This is a complex issue and it's not clear how soon this concept will be accepted and made mandatory, further work will be needed at MEPC81.

Greenhouse gas issues – short term measures

The EEXI, CII and SEEMP Part III, all came into force on 1-1-2023 for ships of 5000 GT or greater, after being adopted at MEPC78 in June 2022. The CII is proving a poorly designed rule that was intended to reward efficient ships but in effect penalizes ships according to voyage patterns rather than efficiency. This is particularly noticeable in the Bulk and Tanker trades. At MEPC80 the International Chamber of Shipping, (ICS), tabled a motion stating that, the CII was currently not fit for purpose and requested that the IMO secretariate issue a circular to that effect stating that the CII was still under review, so should not be used as a basis for chartering or any financial aspects before it is completed. Although the IMO are fully aware of the failings of the CII a circular has not been issued. However, the IMO has agreed to set up a correspondence group to review the CII to make it fit for purpose by 1/1/2026.

Regarding EEXI, it was anticipated that the date and amount of the 4th phase increase would have been discussed at MEPC80 but there was no time, so it was deferred to MEPC81. One item that was extensively discussed was the shaft power limitation, EPL and ShaPoLi. The HKSOA had raised the issue of using the ShaPoLi on mechanical engines, instead of a fuel rack blocker, with the HK Mardep in February as it is a much safer arrangement to increase power when needed. At the time the IMO had not approved ShaPoLi but at a meeting in May Mardep took a pragmatic approach and agreed that provided the ships class society approved it Mardep would accept it. At MEPC80 the ShaPoLi system was finally approved, plus a new reporting system that requires ships to log detailed reasons for increasing the propulsion engine power above the EPL. However, regrettably the delegates at MEPC80 could not decide if the EPL should be set at 75% MCR or 85% MCR. Hopefully, a decision will be agreed at MEPC81. Another item that couldn't be decided upon was whether to expand the Tier 3 NOx certification from 100% at 100% MCR to 4 levels, at 25%, 50%, 75% & 100% with 100% at the EPL level.

Onboard CO2 capture and storage

Brazil and Class RINA both produced papers for MEPC80 promoting carbon capture to reduce CO2 emissions. RINA sought to enshrine carbon capture onboard ships as a way to



Martin Cresswell, technical director at Hong Kong Shipowners Association



IMO headquarters in London

reduce CO₂. Brazil proposed that carbon capture systems should be used ashore to reduce CO₂ which should be taken into consideration in the life cycle of fuel from well to wake. Both are sensible measures that were expected to be approved as part of the IMO short term measures GHG regulatory framework to decarbonisation shipping.

Due to differences in opinion by delegates over the allocation of the captured CO₂ and where and how it should be disposed and whether it should be considered as part of the fuel life-cycle analysis framework, or as a separate workstream, the carbon capture proposals were not agreed to. The CCS issues are quite complex and will be further discussed at ISWG-GHG 16, (early March 2024) for further consideration and review at MEPC 81.

Proposal for interim guidelines for the use of biofuels and blends of biofuels as fuels

India submitted a paper to MEPC80 proposing interim guidelines for the use of biofuels and blends of biofuels to reduce GHG, with a blend of not more than 30% by volume. If higher blends are used the NO_x technical code of the diesel engine needs to be revised. As the use of biofuel blends is increasing the industry needs guidance related to procurement, storage and the use of biofuel blends including the lifecycle analysis of different types of biofuels. MEPC80 approved MEPC 1/Circ 907- Interim guidance on use of biofuels under regulations 26,27 and 28 of MARPOL Annex VI which will come into effect on 1 October 2023.

BWM Convention review, (BWC)

At MEPC80 delegates agreed that all outstanding BWC amendments should be fully reviewed and agreed by 2026, ready for adoption at MEPC 85, (Autumn 2026), with entry into force

early in 2027, ending the experience building phase, after which PSC will enforce the BWC worldwide.

Challenging ballast water conditions

Liberia, supported by the ICS tabled a paper to MEPC80 about managing challenging water conditions, proposing that when such conditions are encountered ballast water should be taken in but bypassing the Ballast Water Treatment System,(BWTS). They further proposed that when the ship reached deep sea the challenging water should be pumped out and clean mid ocean water pumped into the ballast tanks vis the BWTS. Many delegates supported the Liberian proposal but consensus was not possible due to the difficult issue of clarifying what challenging water conditions are and how to measure them. This is a particularly difficult issue as all BWTS have been approved by the IMO or USCG, or by both but some are clearly better than others. With the BWC due to enter into force in early 2027 a pragmatic way forward is needed at MEPC81.

Conclusion

MEPC80 was the first time in over 3 years that all delegates were physically present. The agenda was large and expectations were high. There was considerable pressure to drop the 2018 IMO GHG road map of 50% reduction in GHG emissions by 2050 compared to 2008 in favour of net-zero GHG by 2050. In the end this was almost achieved with a clear statement:- "To peak GHG emissions as soon as possible and to reach net-zero by or around 2050". Unfortunately many other important pollution matters were not progressed as much as expected but it is hoped that at MEPC81 substantial progress will be made.



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STORMGEO MORE THAN JUST WEATHER INTELLIGENCE

In 1998, when Norwegian-headquartered StormGeo was emerging as a leader in the field of weather intelligence, the shipping industry had not been troubled by any major technological developments since the introduction of containerization more than 30 years earlier.

In 1998, StormGeo supplied shipping with vital weather information that would help ships avoid the worse that the seas could throw at them, thus ensuring the safety of crew and cargo. Inadvertently perhaps, this meteorological input also helped to reduce costs and emissions. But it was not the main concern.

Expanded industry focus

Twenty-five years later, with the focus on decarbonization and digitalization, shipping is sailing full steam through a sometimes painful and often expensive fourth propulsion revolution. With the safety of ship, crew, and cargo safety as the prime consideration StormGeo is going along for the ride with a broad range of products and services that address the needs of the industry through a period of transition and beyond.

StormGeo interim chief executive officer Kim Sørensen offers his view on what is driving change and how StormGeo is responding to the challenges:

“Shipping is currently undergoing a fast-paced evolution,” he says. “Regulations issued by IMO and other regional bodies have increased their demands on the industry. Meanwhile, certain individual shipping companies are moving toward environmental targets that look beyond the current regulatory regimes.”

Mutual benefit

“As a company we benefit from the growth in regulation because the demands it places on shipping translates to greater demand for our products and services. We also like to proactively help drive change.”

There are three areas where StormGeo supports the shipping industry: with the provision of onboard tools to support the crew with its solutions, and onshore tools where it supports the management with different solutions. They are all focused on reducing emissions and making vessels operate more efficiently while keeping in mind vessel safety and vessel optimization. Today, more than 13,000 vessels are supported by StormGeo’s solutions.

StormGeo is constantly making new products and services available to its clients.

“We have more than 150 software developers and that allows us to make investments that are not exclusively responding to regulatory demands.

Bunker optimization

“One example is our bunker optimization tool. We saw this as a natural extension to our routing product where we route a vessel safely from port A to port B, while avoiding bad weather, while offering the shortest distance between ports, thereby reducing emissions and costs. But shipowners or operators came back to us asking where they can most efficiently bunker their vessels along the route. So, we bought a company with that solution,” Mr Sørensen exclaims.

“With our relative size we have been able to scale the product, which we launched a year ago. Not as a response to regulations. We simply felt it was a natural addition to our portfolio.”

Based on extensive input to the algorithm the bunker planner informs shipping companies sailing say Rotterdam to Piraeus to Busan the best course where they can most efficaciously bunker their vessel.

**StormGeo Interim CEO
Kim Sørensen**



Shipowners or operators wanted still more.

“When presenting the bunkering optimization tool to shipping companies they were duly impressed but as they were engaging with us in this project, they also wanted help in the actual bunkering procurement – a digital model to document everything in the bunkering process. This enables their bunkering teams to send out RFQs and subsequently to evaluate and benchmark price and quality of the bunkers on offer,” Mr Sørensen explains.

“Two months ago, we bought a portal to enable shipowners to do all of that.”

StormGeo has not limited its expansion to software solutions. Its desire to get nearer to a growing client base has led to growth in its service network, particularly in Asia.

Upgrading the business

“We have upgraded what we do in Asia significantly over the last three and half years,” says Mr Sørensen. “One of the first moves we made was to set up an operation in Manila where we now have 21 staff members serving an Asia clientele in real time,” he adds.

The most recent addition in Asia boosts an already strong regional presence in Hong Kong, Singapore, Tokyo, Shanghai,

Taipei, and Seoul. Next stop is Mumbai, a city which StormGeo has identified as strategically important as a location where today many of shipping’s operational decisions are being made.

The combination of a global network and strong product portfolio has driven the firm to ever greater prominence. The company claims number one rating for its weather routing. Full voyage planning, on the other hand, is an area where StormGeo is yet to dominate the market. “We have a job to do,” he says.

“We are investing heavily in expanding that product portfolio so that we can compete with the best. Driven by the market and the regulators the onshore portfolio we have today will grow significantly. For example, just recently we launched an EU-ETS product that will allow ship operators to follow that regulation. In addition, we launched a CII product two years ago and now have 2,500 ships subscribing to the service.”

The range of new products that StormGeo has originated or acquired in recent years can be baffling for the newcomer. Fortunately, in a landmark moment for the company in 2020, StormGeo launched the s-Suite, which combines all the company’s solutions in one package.

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SCRUBBERS ARE A PRACTICAL SOLUTION FOR THE LATEST ENVIRONMENTAL REGULATIONS

The industry should be optimistic that it can make the required future-proof investments needed to meet the IMO's more ambitious targets, writes Scott Oh, Director, Asia Operations at Wärtsilä Exhaust Treatment.

July 2023 was an important turning point for the maritime industry. The IMO moved from a target of 50% GHG reduction ambition by 2050, to net-zero by or around 2050. It set interim targets of 20%, striving for 30%, in 2030 and then 70%, striving for 80%, in 2040, compared to 2008 levels. These targets will be challenging, but there is cause for optimism, because, as well as having a positive business case today, scrubbers can now be installed ready for onboard carbon capture and storage (CCS).

Beyond sulphur cap compliance

The role of scrubbers in global sulphur cap compliance is well known. But, today, beyond solely tackling SOx, scrubbers have become a platform from which multiple technologies can work together in the stack and throughout the exhaust chain. This includes tackling NOx emissions by adding selective catalytic reduction systems (SCR) or exhaust gas recirculation systems (EGR) to ensure compliance with MARPOL Tier III requirements. In addition, scrubbers can reduce Particulate Matter (PM) 2.5 levels below even standard land-based requirements and a filter can be applied to capture microplastics. By adding the ability to be primed and ready for applying an onboard CCS system, they are a futureproofed investment for achieving marine decarbonisation goals in a short timeframe.

With the widespread between high and low sulphur fuels, scrubbers continue to present a favourable economic proposition, and payback time can be less than two years for several vessel types. Given the ongoing macroeconomic volatility and widening spread between prices of high and low sulphur fuels, the financial benefits are here to stay for the foreseeable future. Added to that, the cost of new, reduced density, low-carbon, alternative fuels, and the benefits of scrubbing are likely to continue for decades.

Asian recognition

Embracing this proven technology to bridge the gap between current and future environmental regulations will enable ship owners to move forward confidently with both newbuildings and retrofits. This has been particularly recognised in Asia and by



With the widespread between high and low sulphur fuels, scrubbers continue to present a favourable economic proposition, and payback time can be less than two years for several vessel types

Asian shipowners because it is here where Wärtsilä received its first order for CCS Ready scrubbers in November 2022. This order includes systems for four 8,200 teu container vessels which will be fitted with Wärtsilä's CCS-Ready 35MW scrubber in an open loop configuration.

Building on this further, Wärtsilä and COSCO Shipping Heavy Industry signed a Memorandum of Understanding (MoU) covering the development of local production resources in 2019. This MoU ensures further development and support of Wärtsilä's scrubbers in the region.

Wärtsilä is currently testing its CCS system at 70% CO2 capture rate at its facility in Norway, and a pilot installation will take place in early 2024. The CO2 capture part was ready at the beginning of 2022 and has undergone rigorous testing for more than a year. During that time, valuable experience has been gained on how to operate the system and pros and cons of the different types of solvents that can be used to capture the CO2.

The initial goal was to achieve control of the capture process. Now the liquefaction and storage modules have been installed, enabling end-to-end testing of the full CCS process, including storage, and offloading of the captured CO2.

The current focus of research is on finding the best, most advanced solvent technologies that have low or no toxicity, lower energy demand and improved carbon capture performance. Other characteristics that need to be considered are ease of handling, solvent availability, and, most importantly, the ability to integrate these solvents as a drop-in for existing systems and infrastructure.

Testing has resulted in enhancements to the original basic system design. Solvent development will continue until the full

The current focus of research is on finding the best, most advanced solvent technologies that have low or no toxicity, lower energy demand and improved carbon capture performance

potential for further improvements is reached. This will continue before moving the process onboard a ship, which will be another major milestone in the process to get a commercially viable CCS product on the market by 2025.

As a mature technology with a strong return on investment, CCS Ready scrubbers can enable ship owners to futureproof their assets and meet the new compliance timetable with confidence.

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HONG KONG'S JOURNEY TO NET-ZERO MARITIME EMISSIONS

Magdelene Fung of Chimbusco Pan Nation Petro-Chemical places the global target of net-zero emissions into a Hong Kong context

The International Maritime Organization has heightened its focus on GHG emission reduction in the MPEC 80, which aims to achieve “net-zero” emissions by 2050: its member countries have implemented various measures on carbon emission calculations. Yet, the roadmap to achieving these objectives remains a topic of vigorous debate. China is committed to achieve the same target by 2060 and is actively introducing policies to meet the international carbon emission reduction goals, which alerts all state-owned enterprises to start adopting the plan towards net-zero. As a maritime centre, Hong Kong has also been following the direction stipulated by the central government to evolve into a green port and the industry has been adopting more sustainable shipping initiatives, such as proposing to tighten the sulphur content limit of locally supplied marine light diesel to 0.01% to reduce GHG emission.

Transitioning to green fuels is an essential step for the industry. Notable alternatives include marine biofuels, LNG, ammonia, and methanol. Currently, Hong Kong stands at a strategic juncture, assessing which path to take in its quest for net-zero.

Kickstarting the path to Net-zero by 2050

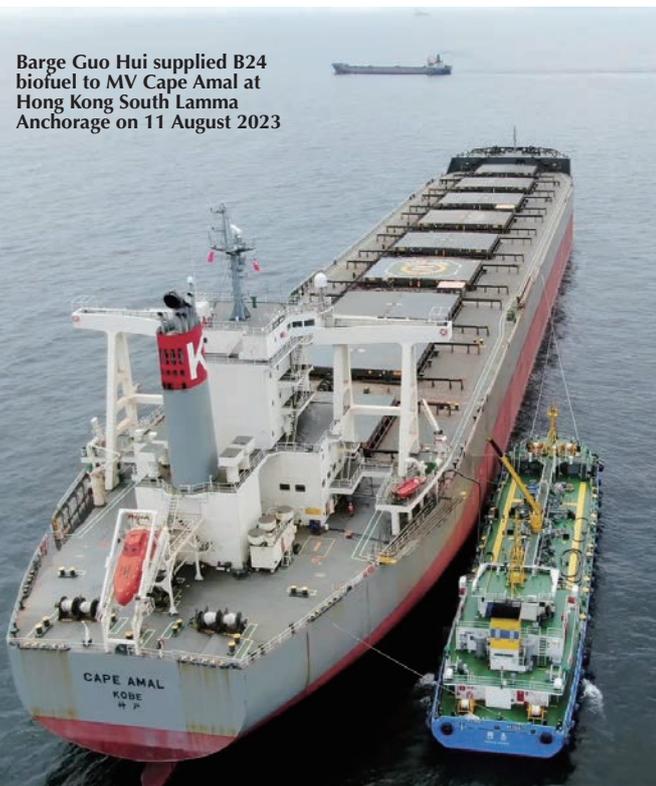
The immediate appeal of both biofuel and LNG lies in their mature supply chains. The availability and established infrastructure for these fuels make them more accessible and easier to integrate. Marine biofuels, being a drop-in fuel, can be used directly as a replacement for conventional fuels without requiring any modifications to the ship’s engines. Hong Kong locally produces used cooking oil-based biodiesel, and our company has already started supplying B24 Marine Biofuel since August, which kickstarted our journey of decarbonisation. The market for marine biofuel is currently in the developing stage, and we have seen regular demand from the international buyers.

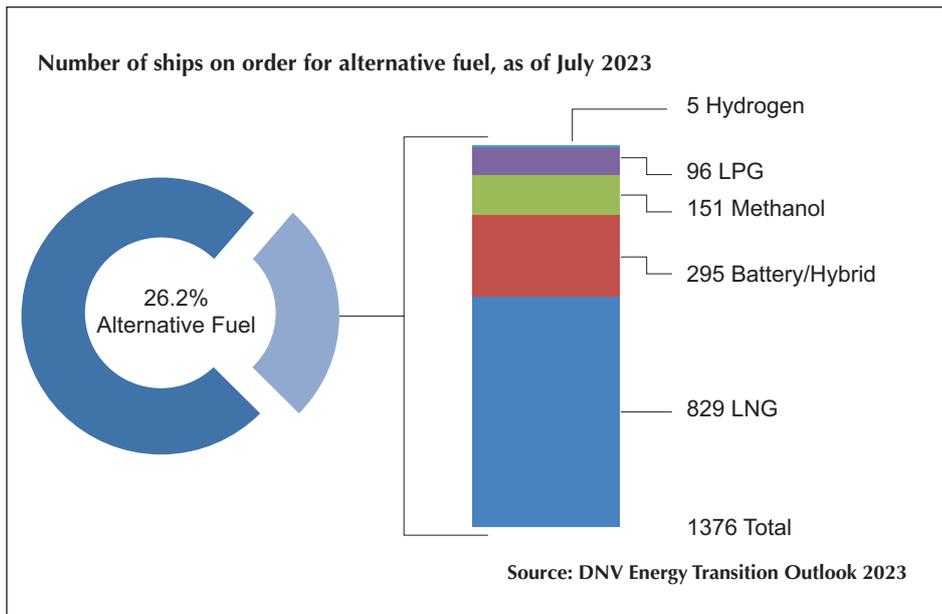
LNG emerges as a viable initial option, while considering the potential operational leverage from the new Soko floating terminal. The LNG-powered fleet is growing steadily, and we expect a stable demand in the global market. Therefore, the potential of LNG bunkering is still substantial in the foreseeable future. Although the competition in the APAC region is heightening, LNG bunkering service could remain a crucial cog to maintain Hong Kong’s international shipping hub status.

However, while being cleaner than conventional fuels, both marine biofuel and LNG can only reduce carbon emissions by about 20% compared to traditional marine gasoil. Therefore, both

Hong Kong’s pace in the maritime decarbonisation journey lags behind major bunker markets like Rotterdam and Singapore

Barge Guo Hui supplied B24 biofuel to MV Cape Amal at Hong Kong South Lamma Anchorage on 11 August 2023





still in their inaugural stages, so it requires additional time to materialise.

Challenges of the journey in Hong Kong

Hong Kong's pace in the maritime decarbonisation journey lags behind major bunker markets like Rotterdam and Singapore, where trials of combusting methanol has already taken place. Therefore, Hong Kong must catch up while the market still needs time to digest and seek solutions to the technological bottleneck. It is time for us to examine what the market lacks.

To fully integrate these alternative fuels, especially ammonia and methanol, Hong Kong requires robust infrastructure. This includes storage facilities and specialised transportation to handle these fuels, especially given their distinct characteristics and storage requirements.

Moreover, a switch in fuel type also mandates a change in handling and operational procedures, which requires extra training. Local barge crews must be adequately trained to manage these new fuels to ensure both efficiency and safety.

To accelerate the adoption of sustainable fuels, the government should review existing regulations and provide financial incentives. Tax breaks or subsidies would lower the immediate economic barriers, making it more feasible to transit into these greener options.

Conclusion

Hong Kong is committed to transforming its maritime industry towards sustainability and net-zero emissions. This journey involves exploring cleaner fuel such as biofuels, LNG, ammonia, and methanol. Despite ongoing debates about the decarbonisation pathway, the industry's initial move towards biofuels demonstrates Hong Kong's clear commitment to a greener maritime sector. With continued effort, innovation, and investment, we can achieve net-zero carbon emissions by 2050 and contribute to the objective shared worldwide.

Singapore Bunkers Sales (in '000 tons)

	LSMGO	MFO	Bio-Blended MFO	Methanol	LNG
2021	3,722.0	45,906.5	2.0	0.0	49.2
2022	3,612.6	43,987.1	140.2	0.0	16.3
2023 Q1-2	2,110.3	27,081.0	232.2	0.3	55.1

Date source: MPA Singapore

are viable starting points for the net-zero journey, but neither fully meets the 2050 net-zero target.

Long-term options of Net-zero

To achieve the long-term target, green ammonia and green methanol have the potential to drastically reduce maritime emissions and align with net-zero aspirations. Ammonia, despite being toxic, stands out for its carbon-neutral combustion. Methanol, more than just an alcohol fuel, showcases environmentally friendly combustion and biodegradability, bolstering its case for broader adoption.

As the industry gravitates towards greener alternatives, the demand for ammonia and methanol will likely surge. With an increasing number of new vessels adopting ammonia and methanol, the market is signalling perceivable demand, incentivising suppliers to explore these alternatives. However, the current challenge lies in scaling up the production of green methanol and green ammonia to meet potential demand. The technologies to combust these fuels efficiently and safely are

NEW NUCLEAR FOR MARITIME – SAFE, SUSTAINABLE AND COMPETITIVE

Going to zero emissions, does not mean switching to another exhaust form, or trying to catch the air pollution we cause in filters so we can bury it elsewhere, it means not emitting. Only nuclear can do that, writes Mikal Bøe CEO – CORE POWER

To solve tomorrow's challenges in the shipping industry, we must change the way we think of our energy use. Those challenges are not just about the environment, but also about the economics of our industry.

Over the course of this year, we have seen a gradual, and then sudden, understanding that the world will likely exceed 1.5 degrees of warming, and likely not reach net-zero emissions, even less actual-zero by 2050. This has been a defining milestone in the chaotic nature of our energy transition. In particular, clear evidence of weather-dependent power generation's inevitable failure to both meet capacity targets and provide a low-cost base, has recently shocked the public and the new 'green' energy markets.

Shipping is a fiercely competitive industry and for a long time, we have been in a race towards zero emissions and zero margins. Nuclear for a long time has been delivering sustainable, emission free energy but has suffered unfairly in the court of public opinion.

New Nuclear is the only true zero emissions energy for the lifetime of ships. No other energy source, or power system gives us a true zero emissions footprint. Going to zero emissions, does not mean switching to another exhaust form, or trying to catch the air pollution we cause in filters so we can bury it elsewhere, it means not emitting. Only nuclear can do that.

The global push for a 'green energy transition' and an environmentally sustainable ocean transportation sector, will come down to the matters of sustainable and practically feasible energy sources, and energy efficiency. New nuclear will have a very important role to play in tomorrow's maritime sector.

Energy content matters

Our current low sulphur IFO380 contains on average 41 MJ per Kg, - which equates to just over 11 MW hours per tonne of fuel consumed.

Shipping is focused on synthetic fuels made from hydrogen which contains less than half the energy of bunker fuel. Methanol contains just 20 MJ per Kg and ammonia slightly less.

Our industry's transition to this end of the energy spectrum will result in at least a 100% increase to our fuel consumption by volume, and loss of cargo space. Moreover, unless these fuels are produced from truly green energy and feedstocks, they will result in increased emissions from a full lifecycle perspective.

Nuclear fuel from Uranium, which has been safely and efficiently used in power generation - and nuclear navies - since the 1950s, contains 80 million MJ per kg, the equivalent of 22 million MW hours per tonne of fuel. That is roughly four million times more energy per tonne of fuel than the proposed alternatives. A nuclear reactor can power a ship for decades, with more space for cargo.

Reducing ALL emissions

Unused carbon in the exhaust from the burning of bunker fuel mixes with oxygen in the air and creates approximately 3.2 tonnes of CO2 per tonne of bunkers consumed, that's how international



Mikal Bøe in panel discussion

shipping currently contributes an estimated 2.8% of global CO2 emissions

LNG and methanol would reduce CO2 emissions, whilst for ammonia, the pilot fuel required would be the only source of CO2.

With nuclear, there would be no CO2. In fact, there would be no emissions at all, neither to air nor water. Nuclear propulsion produces none of the pollutants associated with fuel combustion that have a negative impact on the climate or air quality, such as methane, NOx and particulate matter (including black carbon).

If we are to produce less pollution, without consuming larger quantities of fuel and without going slower to keep consumption low, nuclear offers the opportunity to cut all emissions with a tiny amount of Uranium; we can go faster and carry more cargo, for less.

New Nuclear can be the game changer

Unlike naval nuclear reactors that require frequent refuelling and are designed with pressurised systems that require a large evacuation zone in the event of an accident or emergency; new nuclear technology such as Molten Salt Reactors (MSRs) are unpressurised, meaning they cannot cause radioactive pollution outside the reactor compartment. This, in turn, means the emergency planning zone (EPZ) – the area that the operator would be liable for in the event of an accident - could be reduced to the boundary of the ship.

Operator liability would go from being an unlimited public liability, to a limited liability that can be covered by marine insurance.

MSRs would not need refuelling or replacing for the lifetime of the ship, producing very little waste. Modular designs mean we can manufacture these new reactors as a small, mass assembled product allowing better construction, higher quality assurance and reduced cost.

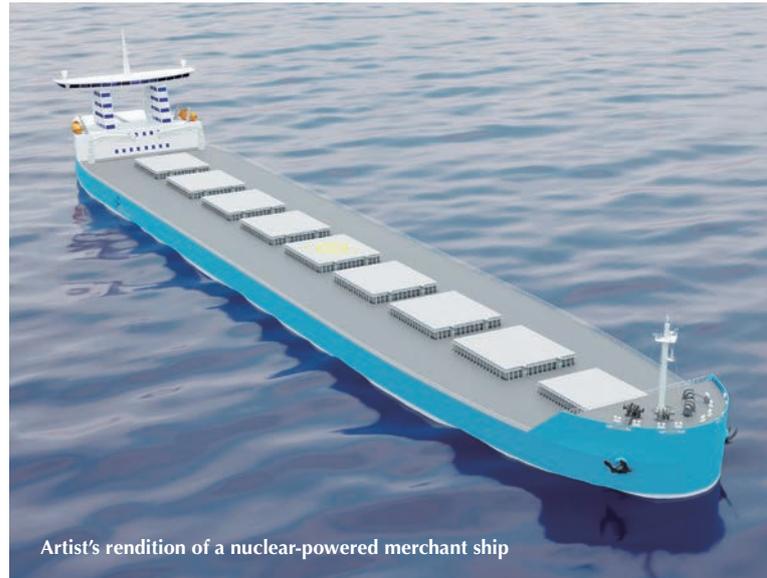
A positive disruptor

Since shipping went from sail to steam in the 1860s, shipping alone has poured over 1,000 billion tonnes of high-energy fossil fuels through our engines and released over three trillion tonnes of exhaust gases into the atmosphere.

Once consumed, fossil fuels have zero residual value, and there is an increasingly high cost to pollution.

The MSR is a real disruptor in several ways: there is no refuelling required, no need to slow down to preserve fuel, and at the end of the ship's life there is still residual energy, and value, in the reactor.

In addition, nuclear electric ships, or small floating nuclear power plants (FNPPs) with MSRs can play a pivotal part in decarbonising ports.



Nuclear electric ships will be able to reverse cold iron, providing all the power needed for loading and unloading operations, as well as power for other port equipment.

Coastal FNPPs can provide clean emission-free energy to power port communities, and also provide the enormous amount of energy required to make green hydrogen, ammonia, and methanol.

Ports provide the primary link for local communities between the sea and the land and can play a pivotal role in paving the way for nuclear-powered ships and FNPPs by embracing the benefits they bring, winning over public opinion and acceptance from local and national governments.

A new understanding of nuclear

Fear of nuclear is born from lack of knowledge, but there is growing understanding that new nuclear technology deployed in the maritime sector can provide the future we all want.

To demonstrate the viability of New Nuclear in Maritime - we will need evidence of safety functions and systems, so that we can always ensure safe and secure operations even in the event of a marine accident.

Nuclear is in fact the safest energy source we have in the world today despite widespread popular belief to the contrary. Radiation limits set by international organisations are set so low – they are akin to having a motorway speed limit of just one mile per hour.

Nuclear is the only dependable zero emission energy source we have, and the finest minds and smartest people in the world are actively engaged in technology advancements that make this new generation of new nuclear machines fit for our purpose.

ONBOARD FIRES – A REAL AND GROWING CONCERN

Onboard vessel fires are among the most significant safety concerns for the maritime community affecting seafarers, physical assets and the environment, writes Lars Lange Secretary General of the International Union of Marine Insurance

Between 2000 and 2015, 56 fires were reported as having started in the cargo area of containerships resulting in more than 8,000 containers destroyed at a total value of more than US\$1bn.

In the past few years there have been on average three major cargo fires on containerships each year and statistics show that we are seeing, somewhere in the world, one fire each week in a container, in a container yard or onboard a vessel.

Recent high-profile casualties include Hanjin Pennsylvania in 2002 (4,000 teu, a constructive total loss with two fatalities); Hyundai Fortune in 2006 (5,551 teu); MSC Flaminia in 2012 (6,732 teu, a constructive total loss with three fatalities); Maersk Honam in 2018 (15,262 teu with five fatalities); and Yantian Express in 2019 (7,510 teu).

In 2021, the feedership X-Press Pearl caught fire off India resulting in a total loss and significant damage to the Sri Lankan coastline. Although a relatively small vessel of just 2,756 teu, its part-cargo of chemicals demonstrates just how a fire can cause an environmental disaster that continues to impact the local community.

Lars Lange Secretary
General IUMI

Allianz recorded a total of 209 vessel fires (container and non-container) in 2022 representing a 17% increase on the previous year. Their analysis for the years 2017 to 2021 showed that fires accounted for the most losses by value at 18% of all claims. And, very sadly, the recent fires onboard the car carriers Felicity Ace last year and Freemantle Highway this year have both resulted in loss of life and considerable financial losses for both hull and cargo underwriters.

Seeking to understand the causes of onboard fires

Without question, this is a serious issue for shipping. For marine underwriters – and for others – our concern is to fully understand the causes of onboard fires and to ensure that ships are properly equipped with suitable fire protection, firefighting capabilities and detection systems enabling large fires to be extinguished at sea. Protecting seafarers is, of course, our top priority.

Vessels carrying unitised cargoes – containerships, car carriers and roros – are being built in ever-increasing capacities to take advantage of economies of scale. The largest vessels are now 15 times the size of their 1960s sisters and carry around 25 times more cargo. Modern designs optimise container stowage meaning that boxes are stacked as closely as possible, both above and below deck. As a consequence, access for fire-fighting crews to reach the source of a fire is now extremely limited.

With the largest containerships now carrying up to 24,000 teu, statistically there is a greater chance of a cargo within a box combusting and the fire spreading. Unfortunately, the industry continues to struggle with cargo that is mis-declared resulting in

Allianz recorded a total of 209 vessel fires (container and non-container) in 2022 representing a 17% increase on the previous year.

some dangerous or hazardous goods being stowed in an unsuitable place, perhaps adjacent to highly combustible material. Onboard crews cannot effectively combat a blaze if they don't know the nature of the material that is burning and so it is important that cargoes are accurately declared and stowed accordingly.

IUMI's central role

A central role for IUMI is to provide a unified voice for marine insurers and, as such, we have been vocal in calling for changes to reduce the risk of onboard fires. We believe that current fire detection and fire-fighting capabilities onboard containerships, car carriers and ro-ro vessels are deficient and improvements are necessary to protect seafarers and the environment, as well as the ship and its cargo.

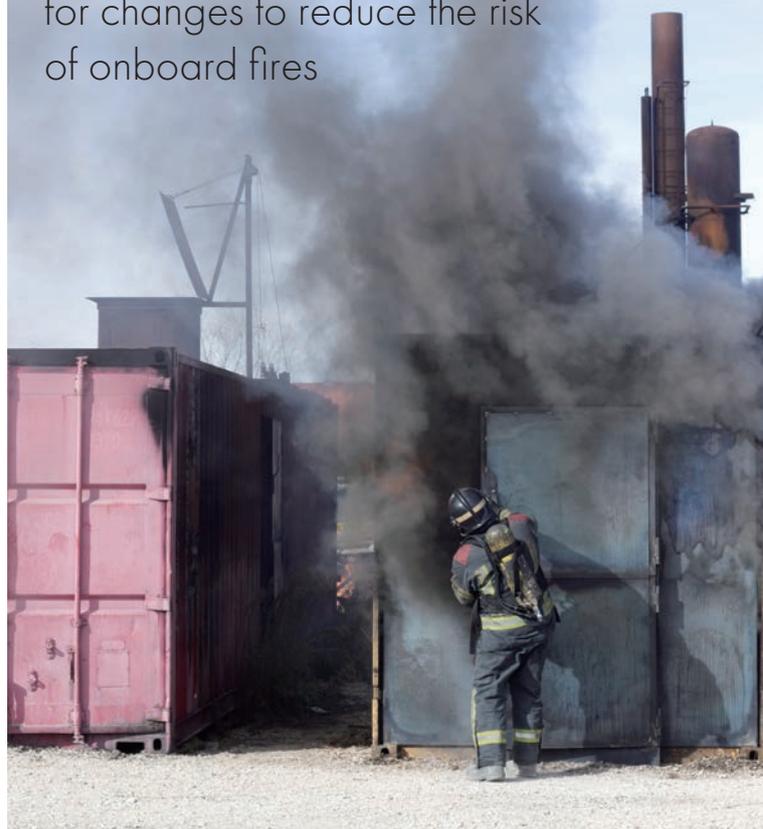
Most experts agree that current means of controlling a fire are ineffective and that the safety objectives set out in SOLAS are not being met and so we have engaged with other associations and authorities to petition IMO to improve containership fire safety. Specifically, we are recommending that firefighting systems should be arranged to segregate the ship into fire compartments where the fire can be isolated to prevent it from spreading. Onboard systems could then cool the containers and allow them to burn out in a controlled manner. We also propose fixed facilities to adequately attack the fire, and improved fire detection systems to enable a swift and appropriate response mechanism. Better prevention measures must also address the rise in cargo mis-declaration. Happily, we are already seeing some larger carriers beginning to address this problem.

Enhanced regulations

In terms of regulation, we are calling for SOLAS to be amended to keep pace with the development of fire detection systems as well as the evolution of goods being carried. A topical example is the carriage of electric vehicles on car carriers and ro-rors where a new set of risks are emerging. To date, an onboard fire resulting from an electric vehicle has not been confirmed and research demonstrates that an electric vehicle fire is no more dangerous than one igniting from a standard vehicle. However, the potential for thermal runaway (where the battery suffers an unstable chemical reaction which is hard to extinguish) means that new fire-fighting measures are needed.

We have recently issued recommendations for the safe carriage of vehicles fitted with lithium-ion batteries. We urge for early fire detection and verification systems; adequate fixed fire-fighting facilities (which differ for ro-rors and PCTCs); onboard charging in some circumstances; and a clear policy on which cargo is to be accepted or rejected.

A central role for IUMI is to provide a unified voice for marine insurers and, as such, we have been vocal in calling for changes to reduce the risk of onboard fires



We should be proud to be part of a progressive industry which continues to evolve and maintain pace with society's changing requirements. But evolution must not be at the expense of safety to people and assets, or to the detriment of the natural environment. By working together, we can ensure that operators, regulators and service providers continue to deliver a robust, safe and efficient ocean transport system for our customers.

IUMI

The International Union of Marine Insurance e.V. (IUMI) is a non-profit association established for the purpose of protecting, safeguarding and advancing insurers' interests in marine and all types of transport insurance. It also provides an essential forum to discuss and exchange ideas, information and statistics of common interest for marine underwriters and in exchange with other marine professionals.

IUMI currently represents 42 national and marine market insurance and reinsurance associations.

MARITIME WEEK PLACES HONG KONG'S PREFERENTIAL TAX REGIME UNDER THE SPOTLIGHT

In a departure from previous formats one theme to be found at Hong Kong Maritime Week is aimed at specifically promoting the Government's tax concessions for qualifying ship leasing firms. Ship leasing under Hong Kong's preferential tax regime will form all or part of five events from 20-21 November.*

The tax relief offered to ship lessors and ship leasing managers was introduced in 2020. It ranges from 8.25% (a 50% reduction on the basic tax rate of 16.5%), which is applicable to profits earned by qualifying ship leasing managers, to a full exemption for ship lessors carrying out qualifying ship leasing activities.

Hong Kong's Inland Revenue Department notes that, during the year of assessment 2020/2021 21 ship lessors and one ship leasing manager were benefitting from the ship leasing concessions. Although there appears to be little data on subsequently arriving ship lessors, earlier this year a home-grown ship leasing firm SeaKapital opened for business in March this year.

In his policy address on 25 October, Hong Kong chief executive John Lee said: "Shipping commercial principals and overseas shipping companies have responded positively to the idea of establishing and expanding their businesses in Hong Kong."

Great efforts have been made by the Administration and most noticeably the Government/industry hybrid the Hong Kong Maritime and Port Board (HKMPB) to get the word out across the world. But the task was made infinitely more difficult in the face of the global pandemic which in Hong Kong placed severe limits on travel and communication from 2020 until end-2022.

The Government has chosen to place emphasis on the new tax regime for ship leasing, but it is useful to know that similar tax concessions have been rolled out for ship managers, ship agents, marine insurers and shipbrokers. All of which could be eligible to pay profits tax at 8.25%. The new regime for marine (re)insurers came into effect in 2021, with the remaining beneficiaries included in 2022.

As you might imagine, the qualifying shipping commercial principals are hugely pleased with this annual bonus, although the marine insurers will have to be more disciplined than they have been in the past if they are to benefit on a regular basis.

But the tax concessions do not amount to extravagant largesse on the Government's part. It is instead the most high profile attempt to augment Hong Kong's international maritime centre.



Tax concessions for shipping commercial principals will be discussed at several HKMW events in the Hong Kong Convention and Exhibition Centre

The decision by the Hong Kong Government to grow the maritime centre by seeking to lure high-value maritime related businesses such as ship finance, marine insurance and, maritime law firms and arbitrators goes back at least as far as 2016, when the CY Leung Administration at the same time the HKMPB was formed. But some within the local shipping community would suggest that the current fiscal incentives are putting the cart before the horse.

They would counter that, by luring cargo interests to Hong Kong, the maritime related interests would follow in pursuit of that business. As far as the writer knows there appears to be nothing in the public domain that would suggest a strategy in this regard. Seemingly tax concessions could not be offered to the likes of Cargill with its annual revenues of US\$165bn as it would likely breach OECD reforms to the international tax system, which aims to ensure multinational enterprises are subject to a 15% effective minimum tax rate.

The new tax regime for shipping commercial principals should catch some big fish. But the pearl needs removing from the shell.

***The 3rd World Maritime Merchants Forum Main Forum 20 November; The 3rd World Maritime Merchants Forum Thematic Forums/Live Broadcasting 21 November; Capitalizing Hong Kong's Maritime Edge – Ship Leasing, Maritime Arbitration and Beyond; 21 November; The 3rd World Maritime Merchants Forum Thematic Forums 22 November 2023; 4th Mare Forum 22 November**

THROUGH COOPERATION TAX CONCESSIONS BENEFICIARIES CAN BE WINNERS

Recorded experience of ship leasing firms working with ship managers has been uneven, but two Hong Kong ship managers demonstrate how it can be a winning combination

Both ship leasing firms and ship managers have benefitted from the newly enhanced tax regime for shipping commercial principals (see page 32).

In the area of ship leasing, as in ship finance generally, it is not a requirement that the ship leasing firm has a firm knowledge of ship operations. Ship managers will often find this a source of frustration where the ship leasing firm is neither aware of what services it is buying nor able to value them.

Then there is the less clearly defined area where a ship manager serves an owner who has a bareboat chartered ship from a leasing company, essentially the ship manager is contracted to the owner.

Even under the bareboat arrangement, ship leasing firms can benefit the better ship managers. Managing director of Hong Kong's Fleet Management (FLEET), the world's second largest ship manager, Kishore Rajvanshy says:

"In the context of bareboat charter models, it's not uncommon for ship leasing companies to stipulate that their bareboat charterers

Managing director of FLEET, Kishore Rajvanshy. "In the context of bareboat charter models, it's not uncommon for ship leasing companies to stipulate that their bareboat charterers only engage top-tier ship management companies"



only engage top-tier ship management companies. This strategy, aimed at mitigating asset risk, has in turn been a key driver of our own growth.

"Today, nearly all ship leasing companies have embarked on time-chartering businesses. As a result, we are seeing a significant increase in growth opportunities stemming from these relationships," he adds.

In fact FLEET's working relationships with ship leasing firms goes back to 2016, well before Chinese ship leasing firms featured prominently in the ship finance landscape. "Our first take over was a 2016-built 64,000 dwt bulk carrier, Ocean Tianbao, owned by Minsheng Financial Leasing and chartered by Cargill," says Mr Rajvanshy.

New business

Fleet has also seen growth in its business in areas beyond technical ship management. Clients using FLEET's new building supervision services include Minsheng Financial Leasing, BOCOMM Leasing and Huaxia Financial Leasing.

"In addition, we have diversified our services to include ship inspection, a critical aspect of vessel maintenance and safety," says Mr Rajvanshy. "We are pleased to provide these services to CCB Financial Leasing, further strengthening our footprint in the industry."

Wah Kwong takes ship leasing cooperation up to the next level

Wah Kwong Maritime Transport Holdings, one of Hong Kong's great dynastic shipping companies with its origins to be found in Shanghai in the first half of the 20th century. The company's business relations have been deeply embedded on the Mainland ever since. Today, Wah Kwong manages 79 ships, despite not setting up an integrated ship management business until 2019.

Wah Kwong's managing director Captain JF Zhou suggests that the shipping company's awareness of the growing strength of the Chinese leasing sector played a part in the creation of the ship management arm.

“In 2019, Wah Kwong formally setup an integrated all-round ship management business that was built from prior years’ development in various asset management areas and budding relationships with the various leasing companies,” says Captain Zhou.

Timing the venture

“This was also a strategic move, timed to meet the growing capital of Chinese leasing investors, where Wah Kwong’s decades of market experience, international network and ship management skills offered multi-layered benefits, and contributed to the exponentially growing ship leasing market.”

Captain Zhou maintains that the first and foremost advantage is that both parties “can maximise their complementary strengths, forming a long-term sustainable model that creates a synergistic partnership and solidifies over the years – the financial streams from leasing companies are met by the shipping know-how of Wah Kwong.

“It is also due to this closer relationship and years of successful partnerships that allow us to innovate and create new partnership modes,” he concludes.

Speaking of new partnership modes, Wah Kwong pulled off a unique collaboration with ship leasing interests when it entered

into a joint venture with leasing firm CSSC (Hong Kong) Shipping and China Gas in July 2023. Subsequently, in August the parties signed a newbuilding contract 2+2 175,000 cbm LNG carriers from Dalian Shipbuilding Industry Offshore. The confirmed pair of LNG carriers are scheduled for delivery in 2027, and will be chartered in by Gas Hongda Energy Trading, a subsidiary of China Gas Holdings, for a period of 20 years at a daily rate of US\$80,000 – US\$100,000.

“The origins of this strategic milestone jointly achieved by the three parties grew from Wah Kwong’s historical partnerships with both parties,” says Captain Zhou.

“In the face of rising LNG trade volumes, market prices and newbuilding costs, this innovative strategic partnership becomes an effective model to expand a wider LNG industry supply chain. The deal leverages our respective strengths, enhances high-quality asset class and services, while generating a steady and sustainable income stream for all parties. It demonstrates a deepening integration along the industrial value chain, advancing the national energy development and decarbonisation goals.

“Although it is a one-off agreement, with the possibility of adding two vessels, we believe the model will continue to draw interest within the industry.”

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AN HKSOA MANAGER FITTED FOR CHANGING TIMES

Sandy celebrates seven years of increasing global recognition for HKSOA

At the time of publication, the Hong Kong Shipowners Association is in its 65th year of existence, a milestone that was memorably celebrated in March this year. In that context Sandy Chan’s seven-year tenure as managing director makes her a comparative newcomer. However, developments during this period have either been incredibly disruptive (Covid-19 from 2020 until the end of 2022) or permanent such as the rejection of a laissez-faire economy in Hong Kong. Her assistance in navigating the Association through these most recent challenges is a feather in her cap.

Even in the dying years of the 20th century, Hong Kong shipowners tended to the opinion that their business was not the business of government. This attitude changed rapidly for several reasons, some more obvious than others. Put simply other regional jurisdictions that favoured government assistance/intervention were making rapid gains in their maritime sectors.

The appointment of Ms Chan as managing director of HKSOA coincided with the establishment of the Hong Kong Maritime and Port Board (HKMPB) in 2016. Similar government sponsored bodies consisting of members from the authorities and industry had been tried before, with little success, but by 2016, the Government was seemingly convinced that lost ground then as now needed reclaiming. The HKSOA’s decision to appoint Ms Chan with her many years’ experience in the public sector was an inspired move.

Local affairs

Superficially, nothing has changed. As Ms Chan points out, “At the internal level, our priority is always to add value to our members’ operations, which is, and should continue to be, the core function of the Association.”

But at the local level, she adds:

“We are becoming more adaptable in pursuing the Association’s goals. We have expanded our networks to raise awareness of the shipping sector among other stakeholders, including politicians, regulators and the general public. Indeed, whenever I talked to the legislators, I found them helpful and most ready to give their support.

“As always, the Hong Kong Ship Registry is our priority. Recently, we convened a meeting with the Hong Kong Marine

Department, with the participation of many Association members. The exchange involved several technical or operational issues faced by the industry about ship inspections or ship transactions resolved or to be resolved shortly. Both the Department and the Association consider it vital to host such meetings on a regular basis.

Following lobbying of the Government by the HKSOA, calling for the splitting of the Transport and Housing Bureau (THB), this was duly achieved in 2022.

“We are pleased that the Administration adopted our recommendation and the Legislature approved the funding,” Ms Chan says. “The portfolio of the former THB was too big and too complex to manage under a single policy bureau. It was not in the interest of either the maritime industry or the general public.”

Last year, with the support of the HKMPB and The Hong Kong Polytechnic University, the Association completed a study of the economic impact of the maritime and port industry on Hong Kong. Though the figures might not be entirely comprehensive owing to the pandemic, the study did provide some useful reference for us,” Ms Chan adds.

In another example of the effectiveness of HKSOA lobbying and particularly that of fellow shipping body, the Hong Kong



Managing director of HKSOA Sandy Chan



Liner Shipping Association, Hong Kong's chief executive John Lee announced in his Policy Address in October that his Government will study the feasibility of providing green methanol bunkering for both local and ocean-going vessels, and promulgate next year an action plan for the construction of bunkering facilities and development of supply chains. The administration also intends to take forward the preparatory work, including technical studies and installations, on providing LNG bunkering for ocean-going vessels.

But there remain unresolved issues that have been close to the heart of the Association for many years. Top of that list is the establishment of a statutory body to conduct the affairs of the maritime cluster. Ms Chan explains:

We need an independent, industry-led body, if not a statutory body, for promotion and development of the industry. We urge the government to re-visit the issue, which has been the consensus of the industry for over two decades.

"When the current HKMPB, chaired and staffed by government officers, was set up in 2016, the Administration maintained that it would keep an open mind on the statutory body proposal and indicated that the operation of the Board could serve as a reference and provide a basis for future review. Now, the Board has been in place eight years, which is enough time for the government to take the next step. Indeed, there are many examples of our government providing funding support for independent organisations of different sectors, including for example the tourism sector and the construction sector, to achieve different policy goals.

"If a statutory body is deemed not feasible at this stage, the government may consider, at the very least, the model of the

Financial Services Development Council (FSDC), originally an advisory body but converted to a corporation limited by government guarantee in 2018 to "allow it to better discharge its functions through research, market promotion and human capital development with more flexibility". With "more flexibility", just in the past year, the FSDC completed many research projects and promotional trips.

"Could we do the same for the maritime sector? Say, an independent, industry-led body named "Maritime Services Development Council", with its own staff and resources and greater autonomy and flexibility, in order to do more in policy research, external promotion and human capital development," Ms Chan concludes.

Expanding the maritime cluster

Since 2020 the Government has introduced incentives, most noticeably, generous tax concessions, to encourage the growth of high value-added maritime services to expand Hong Kong's international maritime centre: the HKSOA believes such an approach would not be enough to achieve the results the Government is hoping for.

"While the government continues to focus on high-end maritime services, more fundamental work has to be done to achieve the desired result of expanding the maritime cluster," Ms Chan maintains. "In this regard, the key is to attract more commercial principals to Hong Kong because the ship owners, ship managers and commodity traders are the drivers of the maritime business. Their presence would in turn attract the



Attending the ASA AGM in Shanghai 16 May 2023

service providers in ship finance, marine insurance, agencies and brokerage, equipment supply, maritime arbitration, ship survey, and so forth.

“We are pleased to see government efforts to enhance the service of the ship registry to attract more ship owners to Hong Kong. We hope the Government also gives sufficient focus on commodity traders. It is often argued that “shipping” follows “cargo”. Commodity companies control cargo, so shipping companies and related services will follow.

“Hong Kong is already a key facilitator of cross-border equity and credit trading through the “stock connect” and “bond connect” mechanisms. If the Hong Kong Stock Exchange could work with exchanges in the Mainland to provide international investors access to commodity contracts in Hong Kong, it would not only further bolster the standing of Hong Kong as a leading financial centre, but also enhance the awareness of the local maritime sector to commodity trading companies.

“Similarly, the Government could introduce tax and or other financial incentives to encourage more commodity trading activities in Hong Kong. Whether this would be enough to attract global commodity trading companies to set up in Hong Kong is uncertain, but at least it would help keep Hong Kong competitive.” She explains.

Whether these wishes will receive a positive response from Government is a subject of avid speculation ahead of a HKMPB report containing strategies for the long-term development maritime and port development due to be published at the end

of 2023. While the guidelines for the report, made public in April 2023 may be far-sighted they do not all accord with the HKSOA’s wish list.

(i) enhancing business sectors such as ship finance, marine insurance, maritime arbitration and ship management, thereby enabling Hong Kong to become a global leading highend maritime service market;

(ii) facilitating transformation of global maritime and port business towards zero emission;

(iii) promoting the development of smart initiatives and digitalisation in the maritime industry; and

(iv) promoting exchanges and collaboration among maritime industries in the GBA and those around the world;

(b) conduct or oversee studies to devise strategies for promoting the highend maritime service industry and related areas thereby sustaining the competitiveness of the Hong Kong maritime and port industry; and

(c) explore various policies and initiatives to entrench Hong Kong’s status as an international maritime centre including through enhancing exchanges among industries in the international arena and the Greater Bay Area.

In this respect, HKSOA has more lobbying work ahead of it.

National level affairs

The HKSOA has for many years had cordial relations with its counterpart (China Shipowners Association) and other Mainland stakeholders as well as the many ministries

related to maritime policy. Given Ms Chan has had in experience leading a statutory an in building networks in the Mainland, HKSOA's continuing relations with the Mainland has played to Ms Chan's strengths.

"At the national level, we still aim high and dream big, because we see opportunities from the Greater Bay Area (GBA) development and the Belt and Road Initiative. The Association's China Sub-committee has been working hard on this, with two GBA forums held in Hong Kong and Guangzhou, exploring means of cooperation," she says.

The Association is working with Shenzhen Ocean University and providing input into its course programmes so that the programme designs meet the needs of the shipping industry in the GBA, including Hong Kong.

In September 2023, the Association Chairman led a delegation visit to Beijing and met the Hong Kong and Macao Affairs Office, the Ministry of Foreign Affairs, the Ministry of Transport, and the China Maritime Safety Administration.

"There were useful exchanges and ideas on many issues, including global trends in green and smart shipping, consular protection for Hong Kong registered ships trading overseas, and facilitation of overseas visitors to the Mainland," Ms Chan recalls.

International affairs

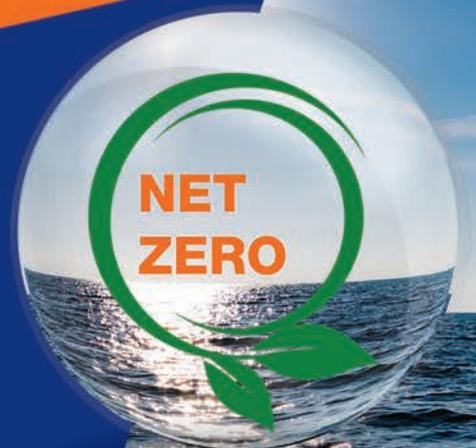
At the international level, as the "Voice of Asia", the Association has earned respect in the global arena. The Association's past Chairperson, Sabrina Chao, has recently completed a term as president of BIMCO. The Association Chairman, Wellington Koo, is currently the President of the Asian Shipowners' Association (ASA).

In May 2024, HKSOA will host the ASA International Shipping Forum with the theme "Asia Shipping, Greener Together". We look forward to receiving many key shipping personalities to this major regional event in Hong Kong," Ms Chan declares.

As Ms Chan mentioned at the top of the story the priority will always be the benefit to members. If the reception, which the 65th anniversary celebrations has received from members is any measure, the HKSOA is meeting its commitments handsomely. Membership growth remains stable despite the Covid-19 disruption.

"As always, we are grateful to the Association members for their support. With their generous sponsorship, we managed to host quite a number of special events in the past year," Ms Chan concludes.

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HOW A LOVE OF CALLIGRAPHY LED TO A LEADING ROLE IN P&I

Filled with wanderlust, CLAIMS DIRECTOR AT WEST Quentin Drew, stumbled upon the world of P&I and has never looked back

Earlier this year, Quentin Drew celebrated a 30-year career with the West of England P&I Club (West). For close to 29 of those years he has played an integral role in the growth of the Hong Kong office of the Club. He was appointed claims director in Hong Kong in 2013.

In the mutual side of the P&I sector, for sure, Quentin’s long-term tenure at the Club is not exceptional, for reasons that will be explained later. But in other respects, his journey remains far from the norm.

When unravelling his life thus far, those of a fatalistic frame of mind might want to find omens or indications of its future trajectory along the way. Born in 1963, when the global maritime fleet’s carrying capacity reached 181.4m dwt (in 2022 the figure was 2.2bn dwt), Quentin was safely delivered by a Hong Kong Chinese midwife at the old Charing Cross Hospital in London.

Quentin’s formative years and beyond were spent in the picture postcard prettiness of Woldingham, a small village in Surrey, 18 miles from the metropolis, once known as part of the “broker belt”. Today one is as likely to encounter a minor celebrity.

Both parents were practicing dentists but with different attitudes to the profession. “My father loved dentistry and was very good at it,” Quentin recalls. “On the other hand, my mother was a natural artist by inclination and only became a dentist under sufferance of parental pressure. Ultimately, she was happy when she retired.”

There was one thing that the Drew family could agree upon – a love of making music. Quentin’s father was a singer with a fine baritone voice. Quentin played flute and later the saxophone: his twin brothers were both adept instrumentalists with one brother growing into an accomplished jazz pianist today.

First indications of wanderlust

At age 11 and still at prep’ school Quentin fell under the influence of a tutor who was also a talented calligraphist. Primarily interested in the aesthetic impact of calligraphy, on a trip to a bookshop that year, Quentin was drawn to a Teach Yourself Chinese book. He was instantly hooked. “I’d taught myself italic writing but when I opened this book and was confronted with all those Chinese characters, I immediately knew it was something I wanted to do.”

Meanwhile, the world was beginning to open vicariously in other ways for the young Quentin. In the 1970s few Britons got to travel within the Soviet bloc, Quentin’s grandfather was an exception. A self-made businessman specializing in the carpet trade, he regularly visited East Germany. An interest in Indian and Persian rugs also led to visits to the Indian subcontinent.

“Often when my grandfather returned from long trips abroad, he would regale me with tales of the distant lands he had visited and the extraordinary people he encountered,” he recalls. “England had already begun to appear rather mundane in contrast to the exoticism

of the strange, faraway places my grandfather inserted into my childish imagination.”

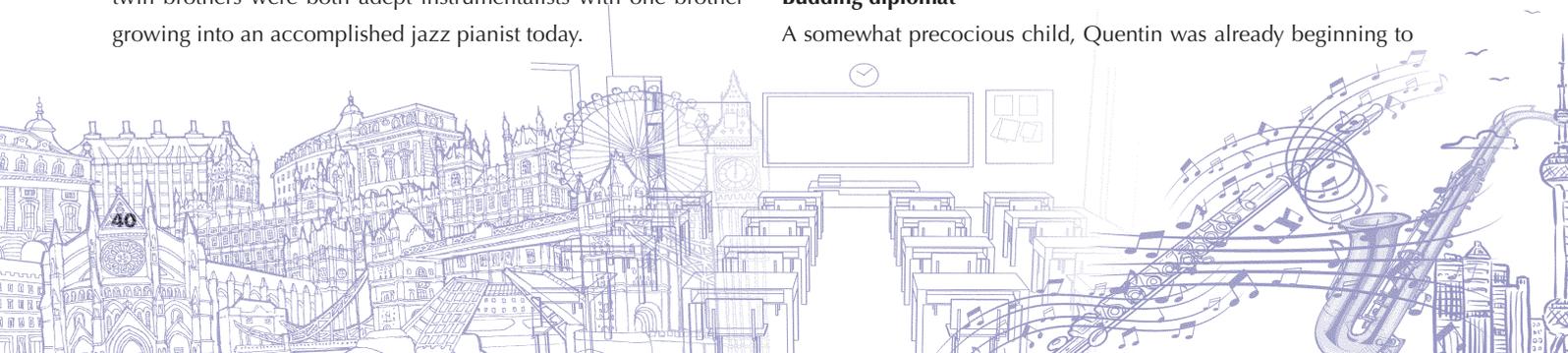
Upon joining Epsom College, a private school in Surrey, as a boarder, Quentin became firm friends with a group of Hong Kong Chinese boys, so his interest in Chinese calligraphy was given a timely boost. “I didn’t learn many characters then, but I gained an understanding of how to write them: there is a method and there is a stroke order. I was fascinated to learn what appeared to me a highly artistic secret code.”

Budding diplomat

A somewhat precocious child, Quentin was already beginning to



Aspiring diplomat



imagine a future lifepath. "I was greatly attracted by the Diplomatic Service. It sounded like a good thing to do that would take me to different countries," he says.

Fast forward a few years and like the unraveling of a tapestry, a possible future is becoming more distinct when Quentin embarks on a degree in Modern Chinese at Leeds University in 1981. Unknown to the budding student, contemporaneously, senior management at West were contemplating the possibility of opening a branch office in Hong Kong. The office was eventually opened in 1982.

"At the time Leeds University had the largest Chinese faculty in the country and it was affiliated with Fudan University in Shanghai," Quentin explains. "I spent my first year at Leeds and the second year at Fudan." A hungry learner, when not learning Chinese, Quentin spent much of his spare time grappling with Cantonese. When he returned to Leeds for his final year, he took up Cantonese and Japanese as minor options.

During this important year in China, he took off for a trip across Southeast Asia where he began to realise the immense potential his knowledge of Mandarin had unleashed.

When visiting Malaysia and Thailand he soon learned how much Mandarin was a lingua franca in the region. "It taught me a lot about the influence of the Chinese diaspora and their language across Southeast Asia. As a student of the language, it was naturally thrilling to witness this."

Upon his return to England, Quentin was convinced by a well meaning tutor from Leeds University that he should supplement his language degree with a further qualification that would make him more employable. He embarked on a business degree at the Templeton College of Management at Oxford (now the Saïd Business School), but chose to be affiliated to St Antony's College, Oxford, the Alma Mater of many diplomats, and several spies. This choice was also partly due to the fact that his grandfather had worked with the college's founder, Antonin Besse of Aden many years before.

Ultimately this move amounts to a minor diversion from the path set out. The MPhil course was initially curtailed due to the need for eye surgery. And instead of capitalizing on his Chinese degree he was lured to Japan to teach English to the senior management of Yokagawa Electric Corp in Tokyo. "I also greatly improved my command of Japanese," he interjects. Given the heightened interest in Japanese management style during the 1980s and 90s, he felt very privileged to be able to witness how Japanese companies worked from within. That aside, when reminiscing Quentin's strongest memory of his tenure at Yokagawa



Electric, he focuses on the irony that, many years later, when going on board CSCL GLOBE during her maiden voyage (she was the largest containership in the world at her time of build in 2014) he discovered that the bridge control systems were fitted with Yokogawa Electric technology.

After two years in Japan, he returned to Oxford to complete his MPhil, still with the ambition to be a diplomat. But if Quentin had not changed in his aspirations since he first opened a book full of Chinese characters, in his mind England had, he thought, metamorphosed.

Long held ambitions can fade over time or crash land like a distressed airliner. For Quentin it was the latter. In the event, despite passing the entrance exam, the Diplomatic Service shortlisted him out in the face of an avalanche of applications. That aside, a souring of his attitude toward the idea of a diplomatic career was already brewing subliminally.

"I was much more geopolitically aware at this stage. And aware that the UK was not the force that it once was. It had been a part of Europe since 1973, which meant much less independence for Britain diplomatically." Increasingly sophisticated means of global communication also meant that the days of the lone diplomat making on-the-ground decisions had gone out with the Graham Greene novels that often depicted them.



Kicking his heels

The hiatus that followed saw Quentin unemployed for three years when the UK economy tanked. Eventually, a family friend pointed him in the direction of the insurance industry. Not content to simply rock up at the nearest insurance company, he first took on the ACII qualification. It was through the course that Quentin first became aware of P&I.

Hidden in plain sight

Despite responding to much of the insurance needs of 90% of global merchant shipping, the members of the International Group of P&I Clubs, for many years maintained a low public profile. As non-profit organizations serving a distinct membership, they have not traditionally been accountable to outside shareholders. The liabilities of their shipowner members often occur offshore and even when major incidents such as oil spills occur, mention of the P&I Club at the front line having to deal with the cleanup will rarely appear in the press.

Even today, where insurers struggle to fulfil headcount, P&I is rarely an obvious option for job seekers. There are no recorded incidents of anxious parents pushing their children to become P&I underwriters. During the second half of the 20th century, word of mouth rather than



Shanghai image: On a visit to Shanghai with West. China has been a home from home since his student days in nearby Fudan

brash advertising would lead a candidate to the doors of a P&I Club. As was the case with Quentin, after a family friend coaxed him to investigate. Interviews at West and the Standard Club soon followed. Shortly into a cup and saucer rattling interview at West, he was convinced he had found his vocation at the right Club, where he was the first employee to be recruited with the understanding that he would be transferred overseas (Hong Kong) on a long-term basis. Looking back, Quentin recalls that his appointment as a claims handler was fulfilling many of his long-held aims.

“Initially I saw it as a way to get out to Asia. I also recognized the subtle diplomatic aspects of the position where one would represent an ostensibly British company in China. The Club structure which consists of the owners on the board driving the general direction of the Club while the managers offered guidance and a sense of permanency and consistency seemed to fulfil my predilection to diplomacy,” he says.

“Most importantly, I found that working in P&I offered the most interesting and varied work one is likely to encounter in the insurance field.”

After 18 months training in the London office, Quentin flew out to Hong Kong.

When Peter Spendlove opened West’s office in Hong Kong in 1982, only one other P&I Club had also taken the plunge. Pickings were small. Only 25 Chinese vessels traded internationally but remained elusive, and the Asian book of business consisted of just four Vietnamese vessels. When Quentin arrived in 1994, staffing had grown to 12 individuals. Quentin was placed in charge of claims for the Club’s growing fleet of Vietnamese ships. To this day, West is the Club of choice for 60% of the Vietnamese fleet of more than 300 vessels. The Club also covers over 1,200 Chinese vessels, making West the largest IG Club in both countries. West now employs 36 staff at its office in Wanchai.

LIBERIAN REGISTRY

DYNAMIC PREVENTION PROGRAM

RISK

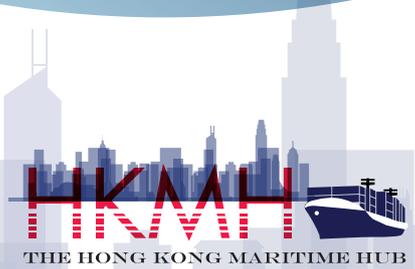
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Quentin praises the foresight of West management in setting up the Hong Kong office so early when several other Clubs were lured by Japan. Of benefit to West and several other International Group affiliates was the establishment of the China P&I Club (CPI) in 1984. The move was a game changer for Clubs like West who gained access to the Chinese market as it expanded and variegated the scope of access.

“When West arrived in Hong Kong it was already clear that the territory would return to China sooner rather than later. By being in Hong Kong we did not represent a competitive threat to local Chinese insurers, rather it showed that we wanted to work with Chinese insurers like CPI and PICC,” says Quentin.

Unfortunately, Quentin’s introduction to P&I and Hong Kong did not initially go as smoothly as he had hoped as he confronted managerial expectations which he initially felt unable to fulfil. “I was working every hour that God sent but didn’t seem to be getting very far in making a positive impact,” he says.

His love of music and a commendation from a senior manager combined to break the impasse. On his return from a brief trip to the



UK, Quentin packed his beloved instruments with a clear intention to join a band. Introductions followed and he was accepted with some alacrity by the leader of the Stray Katz Big Band a popular jazz act in Hong Kong that for more than 20 years was a highlight at Grappa’s Cellar in Jardine House. “As soon as I started playing with the band everything got better in all aspects of my life including work,” he smiles.

The impasse is broken

When Peter Spendlove, then the MD, visited the premises at around the same time, going out of his way to loudly commend Quentin on his performance during a tricky ship arrest, the result was a further boost to the new recruit’s bruised ego.

Quentin has not looked back since. Subsequently, his ascent through the ranks has been steady, becoming an associate in 2001 and a director in 2013.

Today, Quentin is supremely content, a rare example of a person who envisaged a future that in almost every respect came to fruition. His love of the Chinese language and the Chinese people resulted in him marrying Glenda, a Chinese national and Mandarin teacher, in 2000 and they have a daughter, Natalie. He summarizes his experience at West thus:

“People in P&I tend to remain for many years. I’d like to think that it is because we do look after our people. The work we do is very much about long term relationships. You never stop learning. If you want a career that offers a huge variety of problem-solving challenges and work satisfaction, with travel thrown in, you’ve got it.

Finally, P&I Clubs are very civilized places to work and tend to attract well educated and thoughtful people. I’d hope I might include myself in that cohort.”

With about five more years until his possible retirement may there yet be another step up the ladder to take? Look out for omens.



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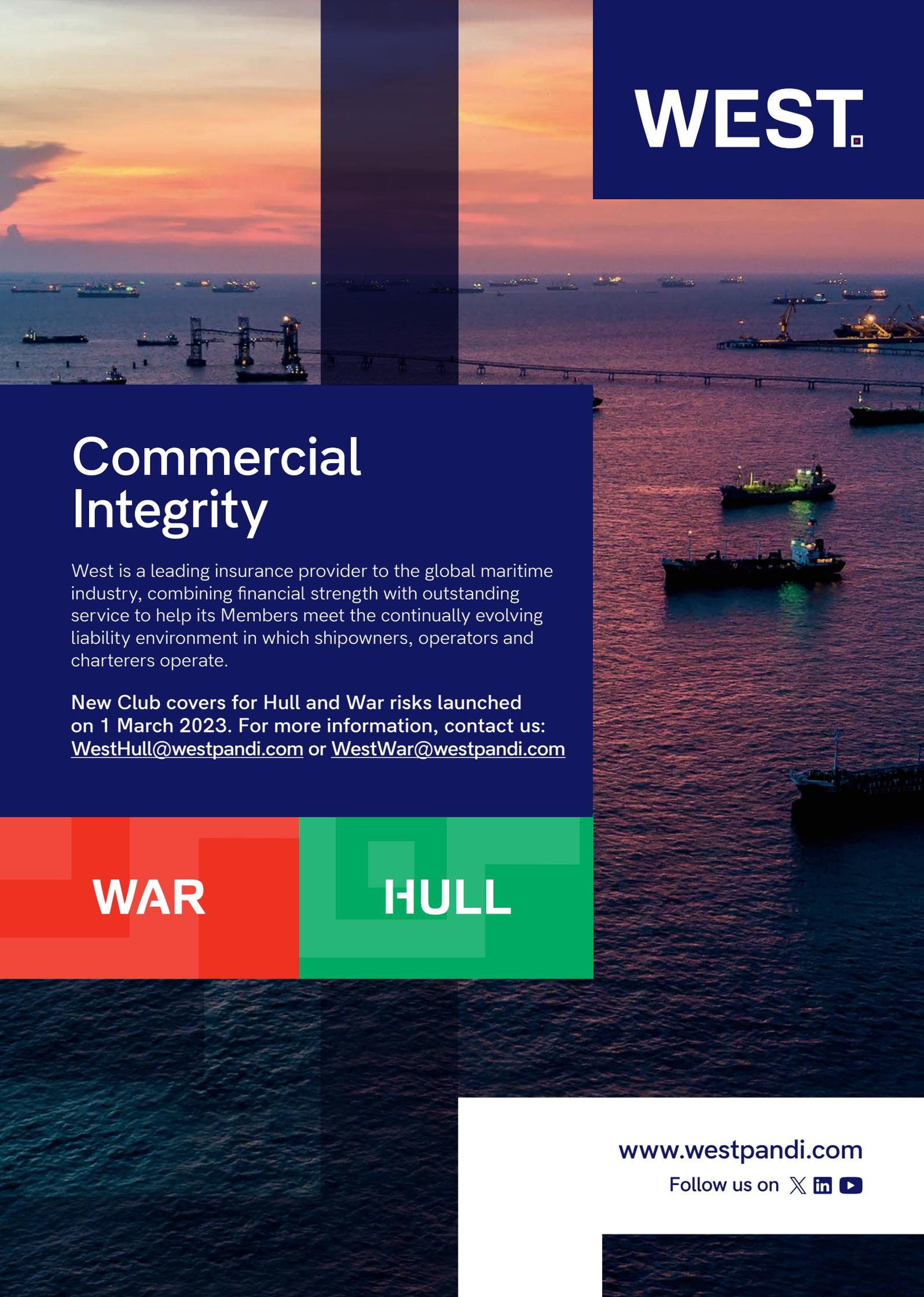
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