

Vespucci Maritime

A dramatic, dark seascape with a man in a suit standing on a rock, looking out at a stormy horizon with lightning bolts.

More storms on the horizon

May 2024

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Are we getting into pandemic-level disruptions?



Middle East problems

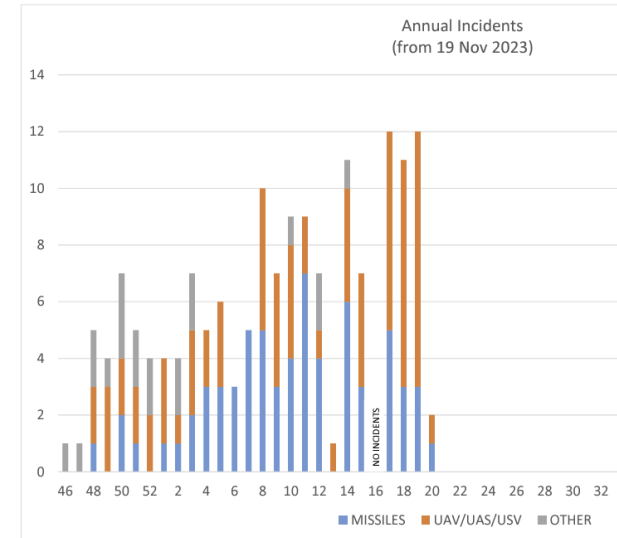
Status as of 20th May 2024:

- Attacks from the Houthis continue
- Attack range have expanded into the Indian Ocean
- “MSC Aries” remains captured by Iranian forces – similar to the hijacking of “Galaxy Leader” by the Houthis in November 2023
- US envoy acknowledged that the problem cannot be solved militarily
- GPS spoofing reported in the Persian Gulf, East Mediterranean, Black Sea, Baltic Sea
- Houthis have threatened to attack shipping in the East Med.
- CMA CGM resume a few sailings via Suez on Phoenecian Express



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EUNAVFOR « ASPIDES »

5/Annual Attack Chart



Mind the dominoes when Suez re-opens

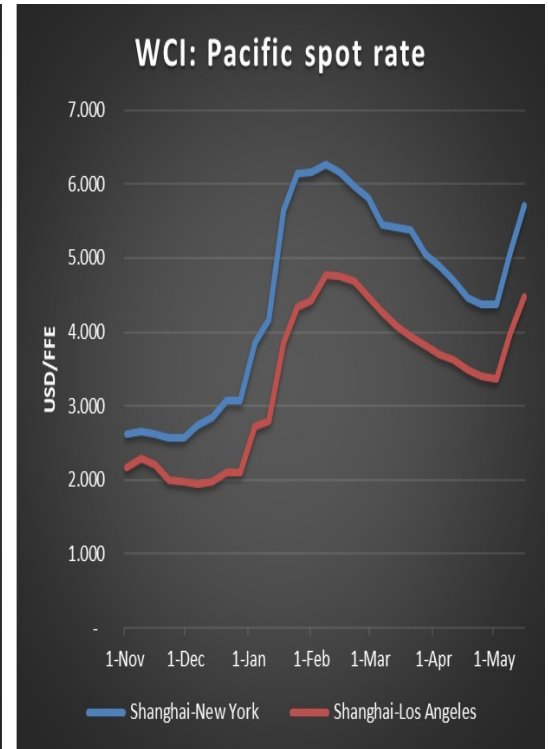
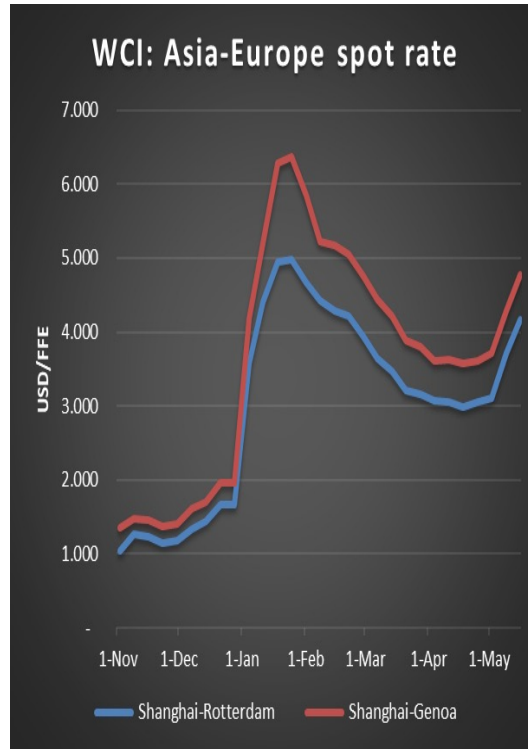
- Vessels through Suez overtakes vessels around Africa
- 1-2 weeks of double the arrivals of vessels compared to usual – and double the cargo
- Pressure on ports to handle the vessels
- Pressure on inland transportation
- Pressure on customer warehouses
- Carriers will likely want to turn vessels quickly -> meaning not loading empties for export. Terminals need to be prepared for this
- Failing to load empties can lead to short-term temporary equipment shortage in Far East 2-3 months after Suez re-opening
- Sharp structural drop in spot rates – but interspersed with congestion surcharges
- With timelag leading to massive blank sailings followed by vessel lay-ups



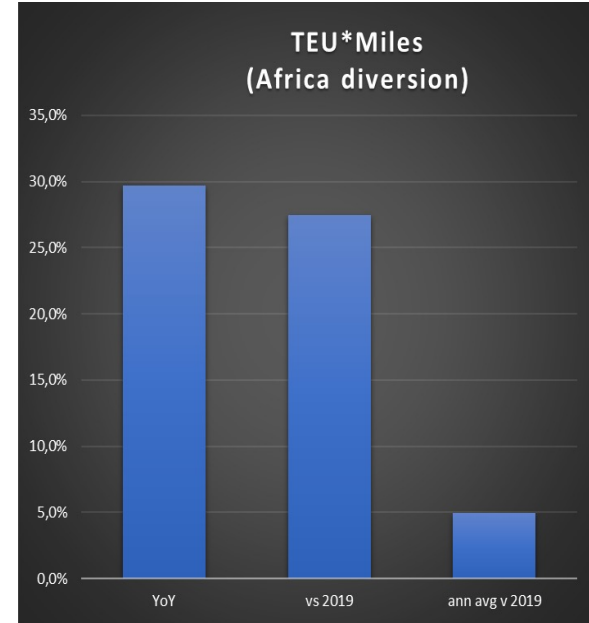
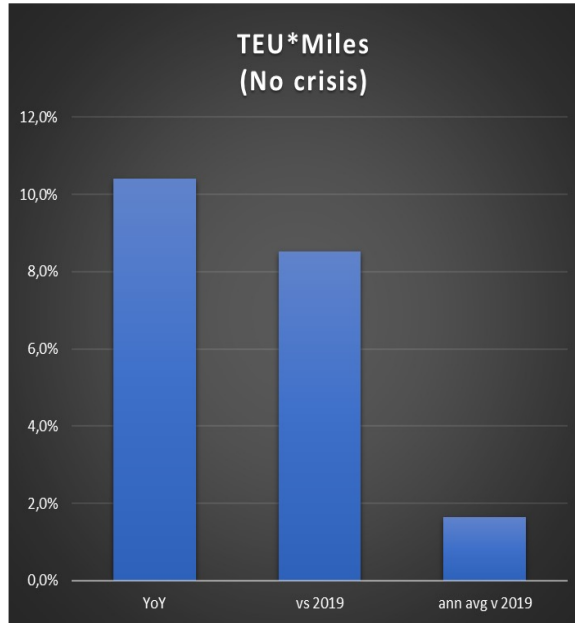
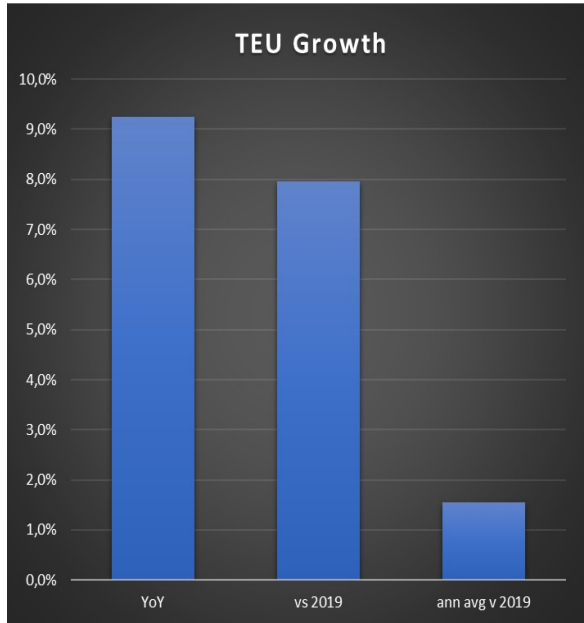
Sudden sharp spike in spot rates



What on earth is going on?

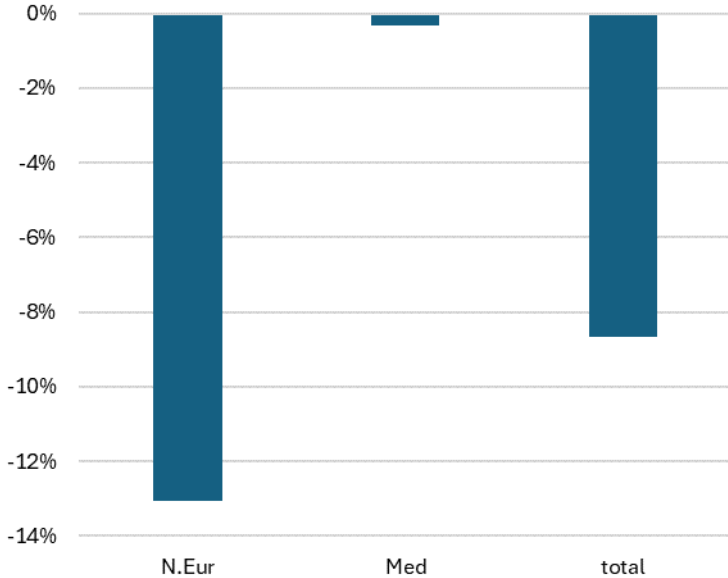


Global demand: Perspective matters

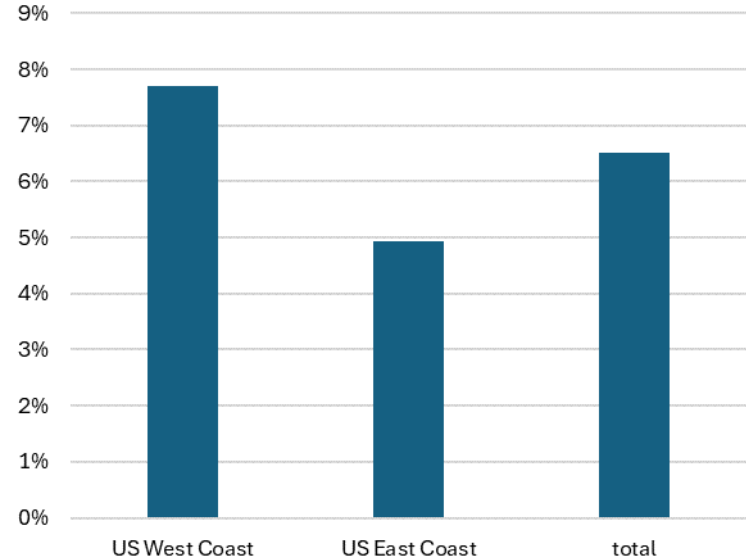


Operational change in capacity

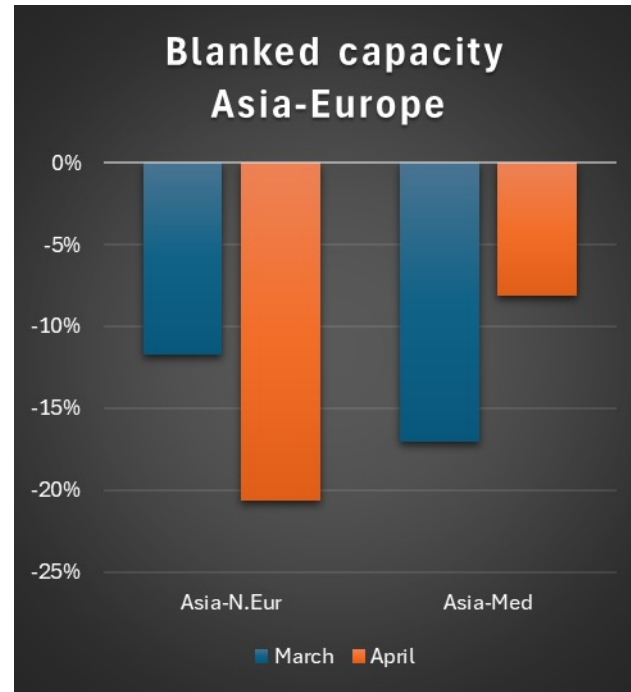
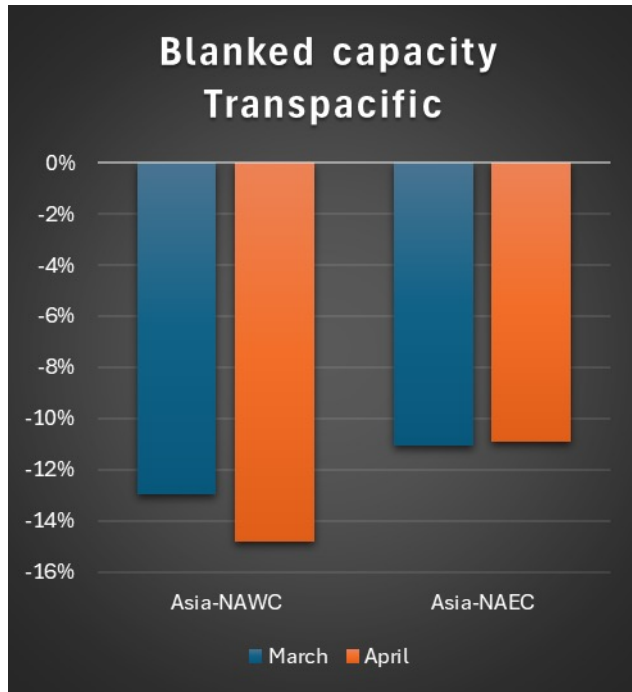
Asia - Europe
Year-on-Year capacity change
March & April 2024



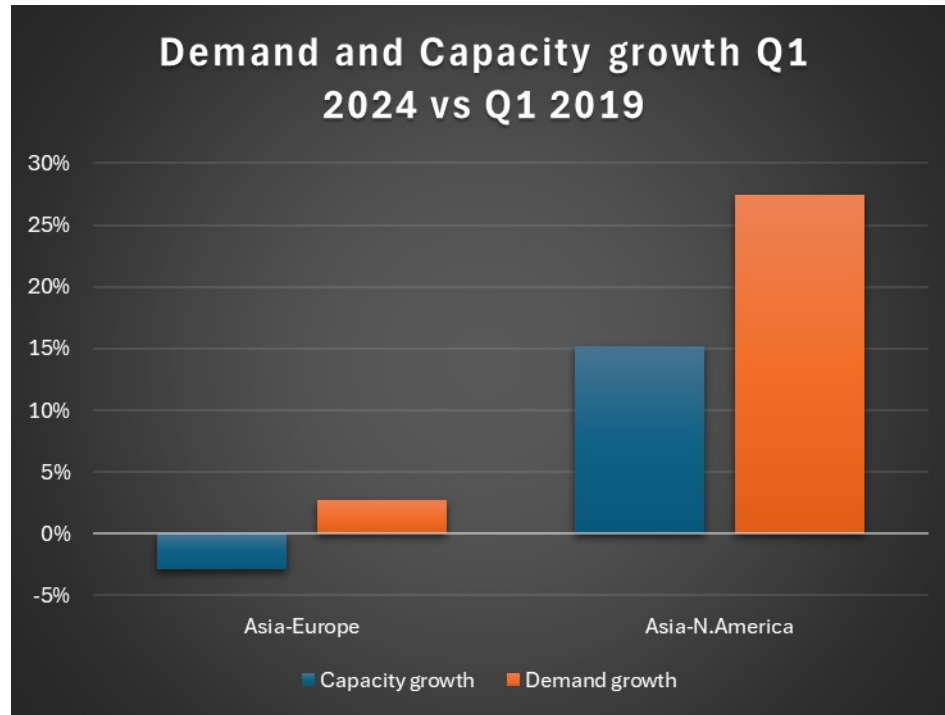
Transpacific
Year-on-Year capacity change
March & April 2024



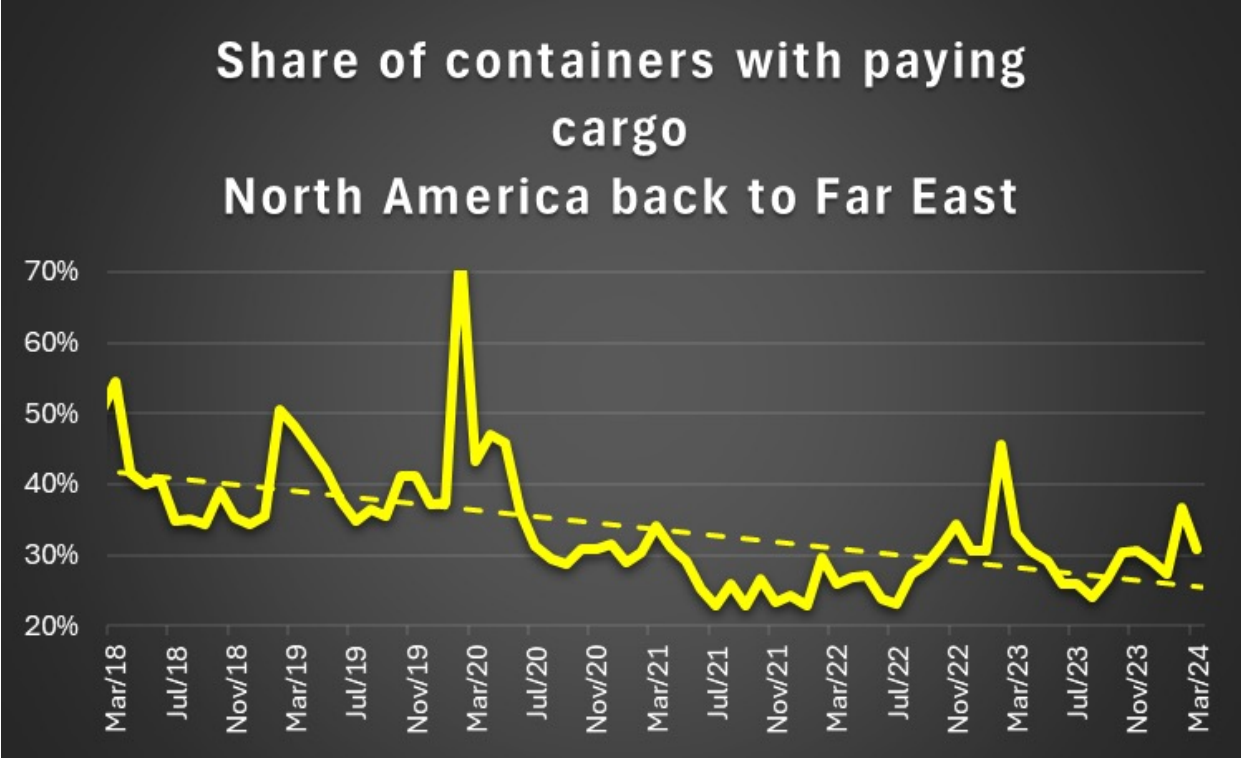
Large amount of blank sailings



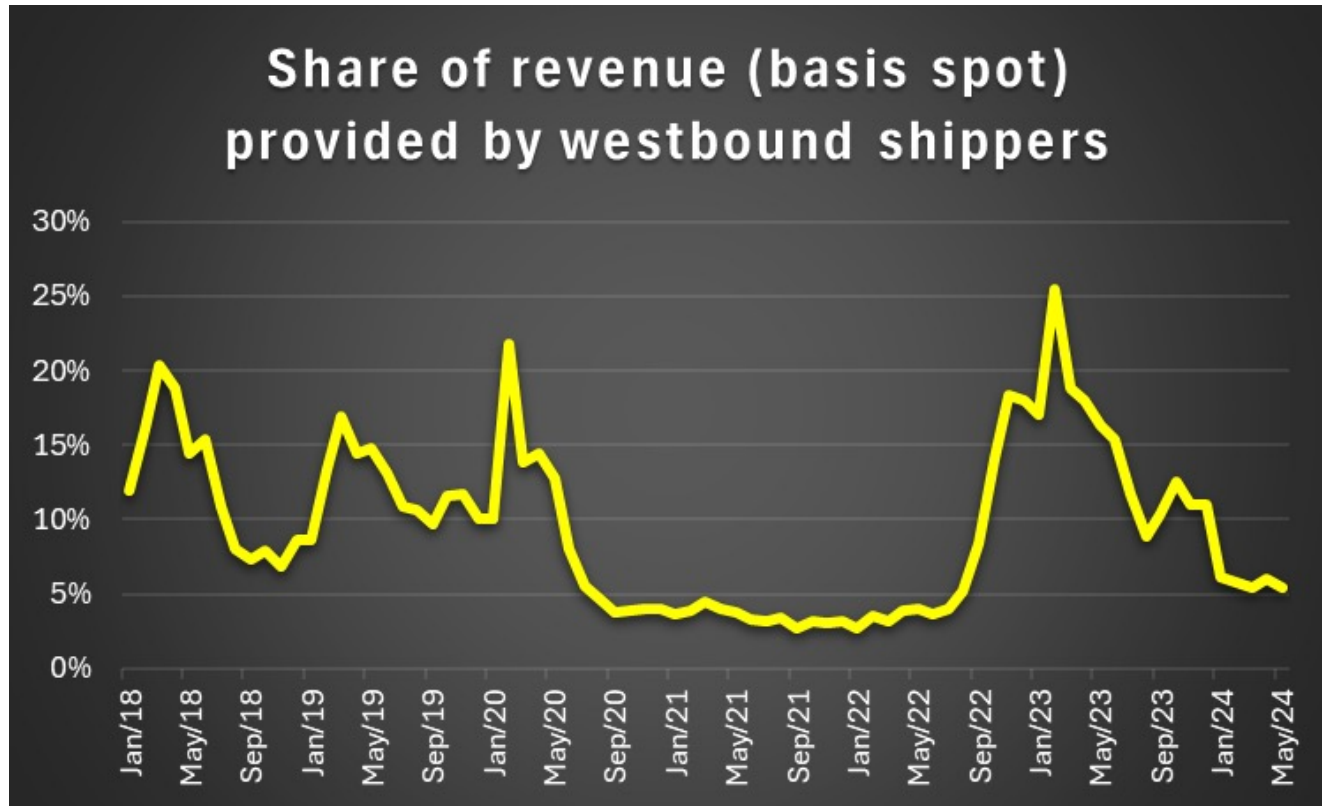
What drives the current capacity crunch?



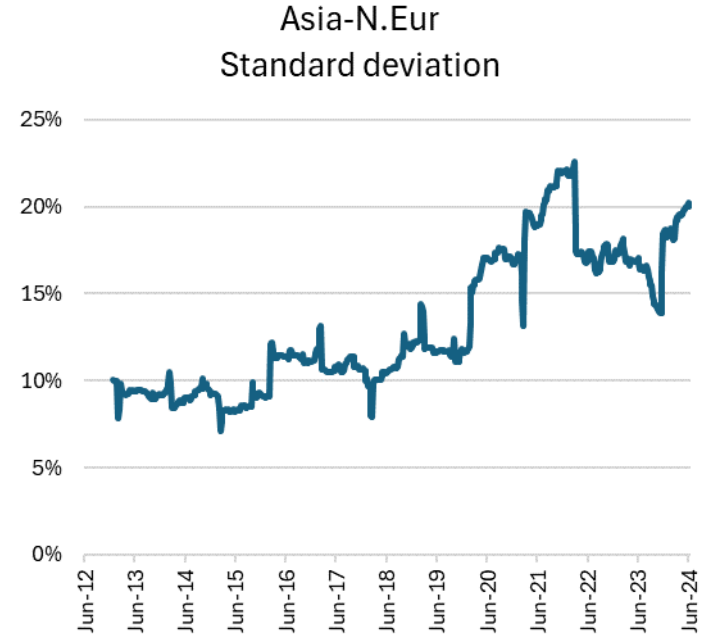
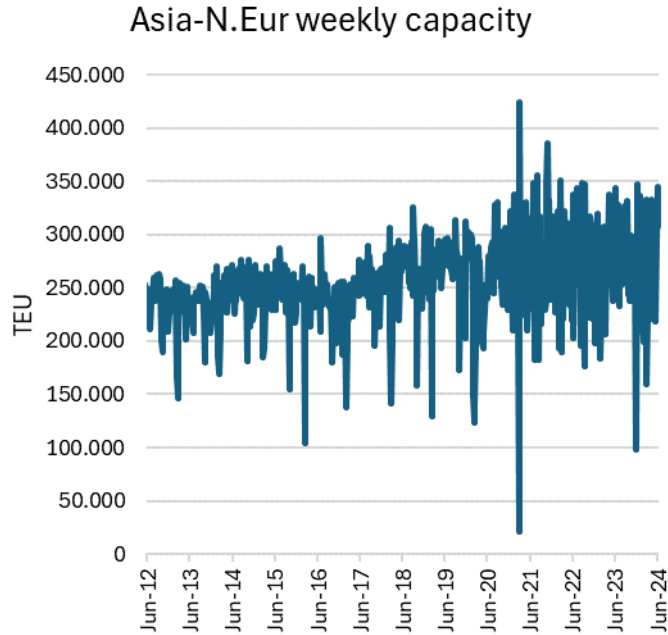
Backhaul shipments back to pandemic situation ?



Backhaul shipments' contribution to round-trip freight rate



Large weekly capacity fluctuations



Data based on Sea-Intelligence weekly capacity data

Other issues to consider



Alliance re-shaping

Maersk + Hapag Lloyd

Effective from Feb 2025

More focus on main hubs -> more transshipments



MSC – Will likely continue as stand-alone

THE: ONE, Yangming, HMM – have a strategic problem

Opportunity for Wan Hai and PIL ?

Don't forget emergence of new Asian niche players including the new Saudi carrier Folk Shipping. This is an increased push by especially China as well as major port interests in the Middle East



Geopolitical impact on Shipping



Major geopolitical rifts to shape the next decade

- We are already in a multi-polar world with some particularly strong and self-conscious powers:
- China
- Russia
- India
- Saudi Arabia
- Brazil
-just to mention a few
- More – contradictory – webs of sanctions to manage
- Just a very recent example: Turkey now sanctioning Israel



Decarbonization

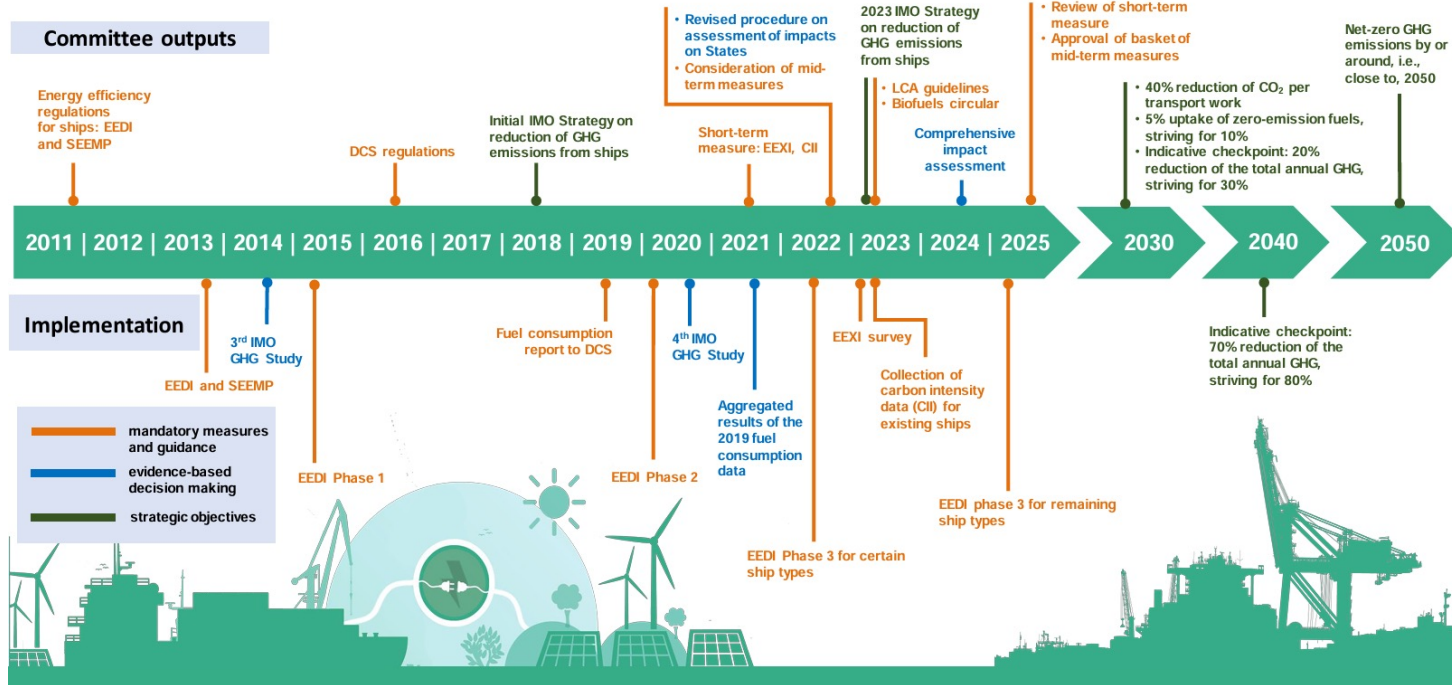


The long-term target



Addressing climate change

Over a decade of regulatory action to cut GHG emissions from shipping



The challenges

- It is costly to strive for zero – there is more short-term financial gain from building/improving fossil-fuelled vessels
- Uncertainty on choice and availability of fuel technologies (Methanol, Ammonia, Nuclear, Battery)
- The role of carbon-capture technology (similar to the sulphur-scrubber discussion)
- Customers' willingness to pay (or the lack thereof)
- Intransparency in carbon footprint seen from end-consumers
- Rules and enforcement will be much stronger on short local trades within just a single jurisdiction – but this creates spill-over effects on other modes of transport



The impact of digitalization



What is coming?

- Electronic submission of ever more information to national authorities – ICS2 in EU is a good example
- We should expect more informational requirements from government authorities going forward – partly from a security perspective and partly from a perspective of enforcing sanctions policies
- Costs of backend IT systems will increase
- A shift to fully electronic Bills of Lading



Other issues to watch in 2024-25

- Panama Canal water shortage clearly improving
- Likely port disruptions in the US East Coast where the labor contract expires in September 2024
- Q1 2025: Political fall-out in EU when it becomes clear how much CO2 emissions have increased due to the Red Sea – possible CO2 tax increases
- Increased US/China trade war

