



# Market Report 2/2023

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# Disruption

## General Disruption

### LABOR STRIKES

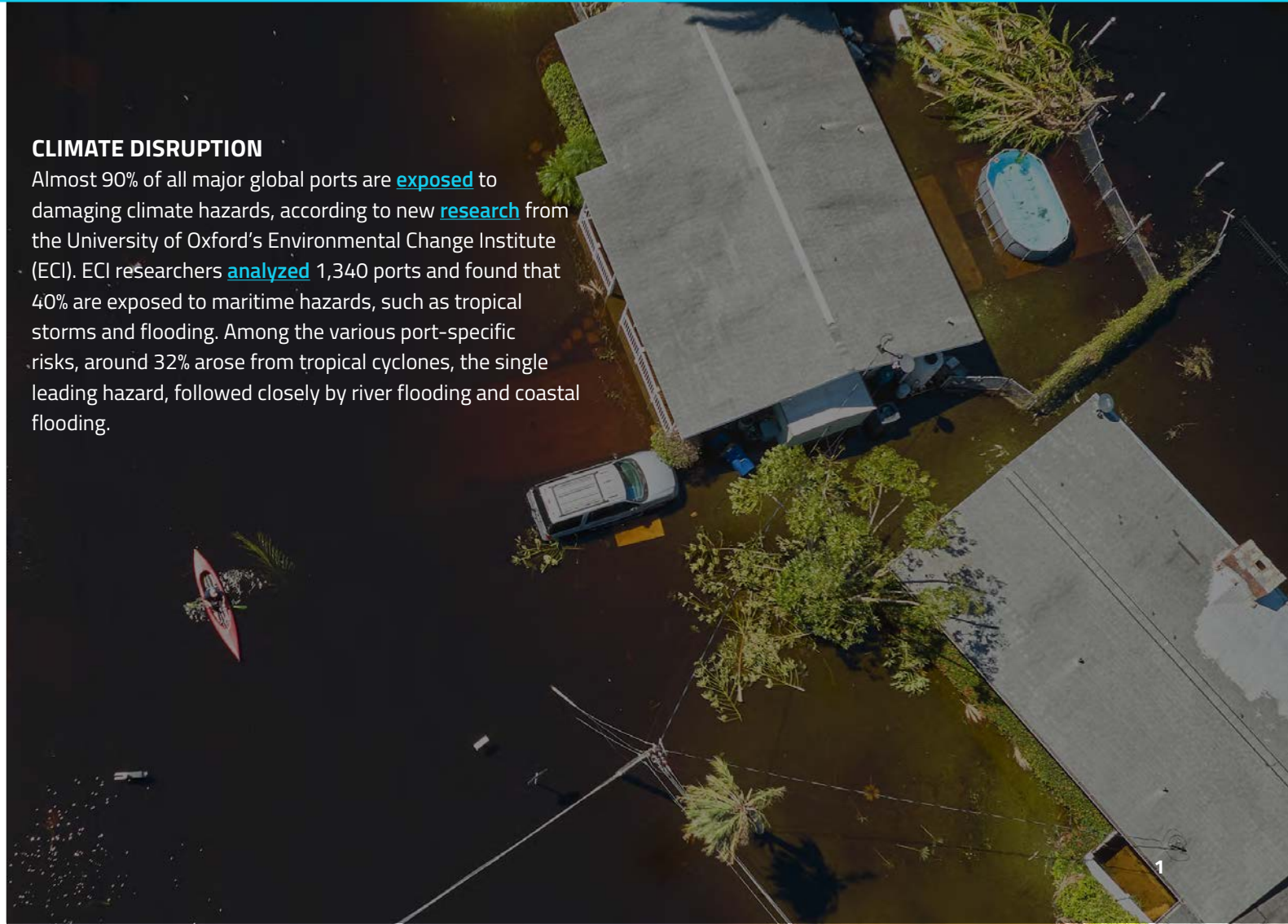
The world's ports saw 4x as many work stoppages in 2022, [causing](#) significant labor shortages that prompted shipping lines to divert or delay cargo. Unfortunately, continued economic instability could lead to more upheaval in 2023.



Source: Crisis24, a maritime security consultancy. Data tracking instances show when port operations were impacted by protests.

### CLIMATE DISRUPTION

Almost 90% of all major global ports are [exposed](#) to damaging climate hazards, according to new [research](#) from the University of Oxford's Environmental Change Institute (ECI). ECI researchers [analyzed](#) 1,340 ports and found that 40% are exposed to maritime hazards, such as tropical storms and flooding. Among the various port-specific risks, around 32% arose from tropical cyclones, the single leading hazard, followed closely by river flooding and coastal flooding.



# Disruption



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## Acute Disruption



### PAKISTAN TRADE SITUATION DETERIORATES

Banks have stopped remitting freight charges to Pakistan due to a lack of dollar availability, [leading](#) ship agents to warn the cash-strapped Pakistani government that shipping lines are considering halting traffic to the country.

Local [sources](#) say that importers cannot secure delivery orders for the timely clearance of cargo, thus creating a major bottleneck at the port city of Karachi, which includes nearby Port Qasim. Besides direct neighbors, almost all Pakistani trade is via sea freight so any disruption will create serious issues for the country's international trade capabilities.



### FAA GROUNDED FLIGHTS

A recent computer outage led the Federal Aviation Administration (FAA) to [distribute](#) grounding orders for all departing aircraft. The stop orders [impacted](#) almost all cargo shipments and passenger airlines.

In this instance, the issues originated with the FAA's Notice to Air Missions System, which pilots are required to consult before commencing a flight to learn about potential adverse impacts, such as icy conditions or runway construction. A contractor unintentionally [deleted](#) computer files, creating a corrupted network that [led to](#) the breakdown.

### DNV RANSOMWARE ATTACK

Classification society DNV recently [experienced](#) a ransomware cyber-attack on its ShipManager software, [impacting](#) 70 customers and around 1,000 ships.



### MASS U.K. RAIL STRIKE

One labor group [said](#) that rail strikes may include 40,000 members and impact as many as 15 train companies across the U.K.



## Infrastructure



**TIANJIN, CHINA:** China's northern Tianjin port is [working](#) to fully [automate](#) all dock operations as it overcomes labor shortages and Covid-related disruptions.



**LAGOS, NIGERIA:** The USD \$1.5B Lekki Deep Sea Port will be one of Africa's top six ports overall, as well as Nigeria's [largest](#) and first fully automated port. The port can [accommodate](#) panamax ships and is expected to [reduce](#) cargo wait times from >50 days to roughly <2 days.



**HAIFA, ISRAEL:** Indian Adani Ports and Special Economic Zone, India's largest integrated ports and logistics company, is [partnering](#) with Israeli company Gadot Chemical Terminals to [buy](#) Israel's Haifa Port for USD \$1.15B. Previously state-owned, Haifa Port is the largest of the country's three major international seaports.



**SOUTHEAST, USA:** Estes Express, a less-than-truckload (LTL) carrier, will open a new terminal near its Richmond, Virginia, headquarters and [build](#) a third terminal in Southern California on a 40-acre site. These decisions follow the [opening](#) of a larger LTL terminal near the Port of Savannah in 2022.

## Transport Technology

### 'SMART' RAILROAD TRACKS

Alstom, which makes passenger trains and rail signaling equipment, will [implement](#) more advanced digital circuits and sensors that tap into the electrical current flowing through train tracks. The purpose is to better monitor track conditions, collect detailed information like locations, and to detect warped wheels which subsequently lowers the risk of derailment.

### ROTTERDAM LEVERAGES NEXTLOGIC

The Port of Rotterdam has [adopted](#) an integrated planning system, Nextlogic, to manage inland container shipping operations. Under [integrated planning](#), barge operators are required to provide Nextlogic with detailed, in-advance information on port calls, rotations, and cargo for each inland vessel, whereas terminals are required to provide information on the available quay capacity. Nextlogic then compares this information and creates an optimal schedule for all parties involved, with planning automatically optimized 24/7.

### CHINA & KOREA DOMINATE SHIPBUILDING

Chinese shipbuilders held onto first place, accounting for 49% of all orders worldwide in 2022, while South Korea's shipbuilding industry came in second, winning 37% of all orders (USD \$45.3B).

Notably, Koreans [won](#) 70% of orders for large-scale LNG carriers in a bumper year for the sector. The ordering spree was largely triggered by heightened demand for LNG tonnage after Russia invaded Ukraine.

### TESLA SEMI FACILITY

Tesla will [spend](#) USD \$3.6B on a facility dedicated to [producing](#) the [Tesla Semi](#) and 4680 lithium-ion cells. Tesla Semi is the company's fully electric combination truck, with a range of 500 miles and energy consumption of <2 KWh per mile.

### MSC ORDERS LNG-POWERED SHIPS

MSC [paid](#) roughly \$120 million for 10 Neopanamax (11,400 TEU) vessels that are slated for delivery in 2025 and 2026. The company has recently taken an expansionist approach, having already added 321,500 TEU to its fleet in 2022 (+7.5%).



## Sustainability

### C1 GREEN METHANOL

Maersk [announced](#) an investment in C1 Green Chemicals AG which will [enable](#) them to mass produce green methanol without having to pay the typical premiums for production. Green methanol is still the most tangible low-carbon fuel alternative for container vessels; however, price and scale remain an industry challenge.

### DECARBONIZATION COSTS

Container lines say they will [pass](#) decarbonization costs on to customers, yet many shippers harbor a deep mistrust of carriers when it comes to calculating and recovering such costs. Some shippers fear that willingness to share in the costs—estimated at more than \$1 trillion—could disincentivize carriers from making the necessary changes to reduce emissions. A notable example: the annual cost of compliance with the European Union's Emissions Trading System (ETS) could [exceed](#) \$10 billion a year.

### UNDERWATER NOISE

The International Maritime Organization, a United Nations agency, is [revising](#) 2014 guidelines for commercial ships in order to reduce underwater noise that [threatens](#) some marine species. The noise primarily [emanates](#) from ships' propellers and engines, making it a key issue for the maritime industry.

### YANGPU POWER PLANT

Yangpu International Container Terminal [unveiled](#) a green, low-carbon photovoltaic (PV) power plant project. The project features a 2.35 Megawatt distributed PV power plant that utilizes nearby roof space and boasts an average annual generating capacity of 2.76M Kilowatts plus an average annual carbon reduction volume of 1,454 tons.

### HEAVY TRUCK ELECTRIFICATION

Successful heavy truck [electrification](#) will require motor carriers to coordinate driver rest periods while charging their trucks, a potential obstacle that could increase carriers' operational costs and result in delivery delays. This was one of several key challenges outlined by the Transportation Research Board in a recent discussion.

### CMA DECARBONIZATION EFFORTS

CMA CGM [launched](#) a €200M investment fund for new maritime decarbonization project proposals in an attempt to [accelerate](#) progress in French shipping.



# Market Trends



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## NEW BUILD VESSELS

According to S&P Global [data](#), the current orderbook shows newbuild vessels with a cumulative capacity of roughly 6.6 million TEU, almost 30% of the world's total service fleet, will be delivered during the next two years.

## ASIA-EUROPE BLANK SAILINGS

So far, the three vessel-sharing alliances have canceled 53 Asia-Europe westbound sailings in the first seven weeks of 2023. This represents 27% of their original scheduled capacity [according](#) to Alphaliner.

## NON-ALLIANCE CARRIERS LOSE MARKET SHARE

Market share for independent carriers continues to [decline](#) after many companies enjoyed strong growth during the pandemic-induced shipping surge.

## SECONDHAND CONTAINER SHIPS

Secondhand box ship prices are [plummeting](#). The opening weeks of 2023 registered severe drops in prices for the previously buoyant sector.

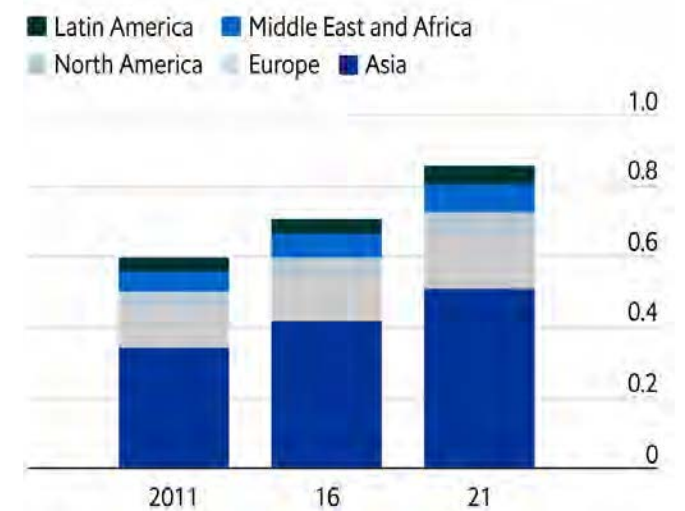
## BIGGER SHIPS ON SECONDARY LANES

Ocean carriers are [cascading](#) bigger ships on to secondary trade lanes to absorb surplus tonnage as they prepare to receive more ultra-large tonnage from the shipyards.

## INDEX TRENDS DOWNWARD

As of 27 January 2023, the Baltic Exchange's main sea freight index—tracking rates for ships carrying dry bulk commodities—[marked](#) its fourth consecutive weekly fall.

**INTERMODAL RAIL TRANSPORT:** Intermodal's ability to [compete](#) with trucks has steadily eroded during the second half of 2022, according to consulting firm FTR Transportation Intelligence. Intermodal rail transport will likely face a tough 2023 amidst weaker demand and shifts in U.S. port activity that utilize shorter inland hauls.



Source: Drewry Maritime Research, accessed via [The Economist](#)

## TRADE MOVES EAST

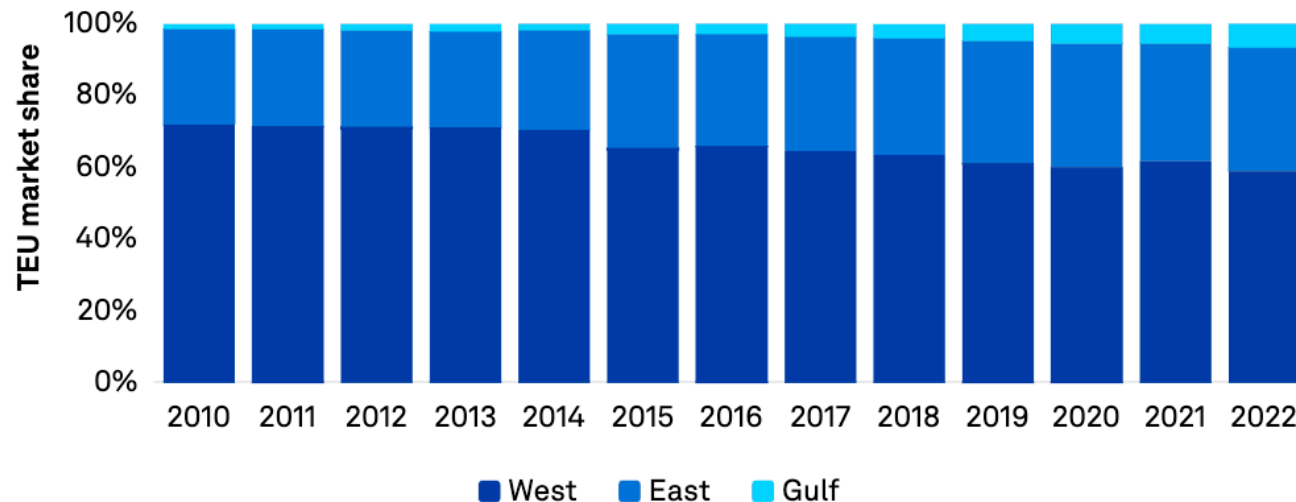
Over time worldwide port container throughput, as [measured](#) in billions of 20' TEUs, has steadily shifted eastward. Additionally, the International Monetary Fund (IMF) expects Indonesia, Malaysia, Singapore, the Philippines and Thailand to be the fastest-growing bloc in the world between 2022 and 2027, as measured by trade volumes.

# Market Trends



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## MARKET SHARE OF CONTAINERIZED U.S. IMPORTS FROM ASIA, SEGMENTED BY U.S. COASTS



Source: PIER, S&P Global accessed via IQC



Cargo owners are hesitant to return their discretionary cargo to the U.S. West Coast as they [fear](#) crippling job action by the International Longshore and Warehouse Union (ILWU). Contract negotiations have been ongoing for 8+ months with no significant progress having been [made](#) since last summer.



## SERVICES



### JEDDAH PORT CONNECTS EAST TO WEST

Saudi Arabia's Port Authority [announced](#) a North America-Indian Ocean connection at Jeddah Islamic Port. The new service aims to position Jeddah as a major East to West hub as it opens a trade corridor between two key markets, the Indian Subcontinent and the Western Mediterranean.

Furthermore, Mawani has [added](#) the Indamex 2 shipping service to Jeddah Islamic Port, a route jointly operated by Hapag-Lloyd and CMA CGM. The move allows Jeddah to gain access to these key gateways: Port Qasim in Pakistan, Mundra and Jawaharlal Nehru in India, and Norfolk, Charleston, and Savannah in the U.S.

**EMIRATES SKYCARGO EXPANSION:** Last year Emirates Skycargo [announced](#) a memorandum of understanding with United Cargo, who will have access to Emirates SkyCargo's high frequency distribution network through the belly hold of passenger flights toward 100+ global destinations. Emirates has also [ventured](#) into third-party online booking by placing capacity on the WebCargo platform.

## SERVICES



### CMA INDONESIA RAIL CONNECTION

The new rail service [enables](#) export cargo from Semarang and Surabaya to reach worldwide destinations through the Jakarta gateway with an intermodal transit time of just one day.



### AMAZON AIR INDIA

Amazon will [begin](#) air freight services in India and plans to expand in Asia overall. The airline will [transport](#) Amazon customer shipments to Hyderabad, Bengaluru, Delhi, and Mumbai. Amazon currently has a fleet of 110 planes flying to 70+ destinations worldwide.

### PD PORTS EUROPE

PD Ports has [partnered](#) with shipping line A2B-online to secure an additional weekly sailing between Rotterdam, Botlek, and Teesport. The route's service expansion will increase to 4x per week with the total number of containers handled at 40,000 TEU per year.

## SERVICES

### ONE SOUTHEAST ASIA-AUSTRALIA

Later in 2023, Ocean Network Express (ONE) will [replace](#) its Southeast Asia-Australia services with a trio of new services to improve service reliability.

### FEDEX PROTECTS THE SABBATH

FedEx plans to [reduce](#) its Sunday delivery footprint to around 50% of the U.S., particularly in remote and rural areas.

### 2M ALLIANCE TRANSATLANTIC TRADE

The 2M Alliance—recently disbanded, as explained on the next page—will [add](#) three vessels to its trans-Atlantic services in Q1 2023 while also slowing down sailing speeds. The move comes as many carriers try to match excess capacity with weakening demand.

## PRICING

### OIL DEMAND SOARS AGAIN

The International Energy Agency (IEA) now [expects](#) total oil demand in 2023 to average 101.7 million barrels a day, a record amount that is well above pre-Covid levels. This optimistic outlook stems from China's reopening after its strict 'zero-Covid' policies, which subsequently burgeoned the market, but could cut demand again if reinstated.

## Mergers & Acquisitions

### 2M ALLIANCE TERMINATED

Maersk and Mediterranean Shipping Company (MSC) have [agreed](#) not to renew their current 2M alliance when it [ends](#) in January 2025. In a joint statement, Maersk CEO Vincent Clerc and MSC CEO Soren Toft [said](#): "Discontinuing the 2M alliance paves the way for both companies to continue to pursue their individual strategies."

Both companies were also eager to stress that the decision will have "no immediate impact on the services provided to customers using the 2M trades." FreightWaves [published](#) a comprehensive analysis of the situation and predicted future impacts.

### MAERSK REBRANDING

A.P. Moller-Maersk is [transitioning](#) to a unified, singular "Maersk" brand, and as part of this transition, they will [integrate](#) notable brands such as Hamburg Süd, Sealand, Twill and others [underneath](#) the overarching Maersk moniker.

### FREIGHTOS GOES PUBLIC

Freightos [completed](#) its merger with Gesher and [commenced](#) trading as a public company on the Nasdaq stock exchange, [raising](#) over \$80M in capital during the process.

### SEASPEAK BUYS EVERGAS

Seapeak, formerly Teekay LNG Partners, [completed](#) a deal to acquire Danish gas shipping company Evergas for \$700M in cash.

### COSCO & COFCO

Cosco Shipping Holdings will [acquire](#) a 5.81% stake in Cofco Fulinmen, China's leading agricultural and food industry player, to promote development of its logistics and agricultural industries.

### TRUCKING TRANSACTIONS

This comprehensive [article](#) details the trucking industry's most impactful mergers and acquisitions from 2022.





## Laws/Legislation

### U.S. NATIONAL BLUEPRINT FOR TRANSPORTATION DECARBONIZATION

The government's **formal strategy** is a wide-ranging **plan** to cut GHG emissions in both passenger and freight transportation and **builds off** incentives in the 2021 infrastructure package and the 2022 Inflation Reduction Act. A key strategy is to **prioritize** maritime and rail over trucking to more quickly reach the established goal of net-zero emissions by 2050.

### CEASING AGE-BASED TRUCKING RESTRICTIONS ACT

Currently, U.S. federal law **requires** drivers hauling cargo across state lines be at least 21, but many states allow drivers to be as young as 18 if staying within state boundaries. This **becomes** complicated since many containers and marine terminal cargo are interpreted as 'interstate trucking' even if the port is in the same state as the driver's destination. **The bill** would add a subsection to the transportation title of U.S. code "to provide that the transportation of goods from a port of entry and another place within the same state as such port does not constitute interstate transportation."

### NORTH AMERICAN LEADERS SUMMIT

The U.S., Mexico, and Canada will **collaborate** on five initiatives to improve North American supply chain resilience and grow key industries like electric vehicles and semiconductors. The countries also **agreed** to work together on sustainability initiatives, including methane emissions reduction, electric vehicle chargers, and hydrogen. More detail can be found on this White House **fact sheet**.

### USA/INDIA INCREASE TRADE PARTNERSHIP

The U.S. and India have **established** a new working group to boost bilateral trade. It will initially focus on trade facilitation, digitization of customs procedures, sustainability financing, and innovative clean energy technologies. The U.S. government will also consider restoring India's beneficiary status under the U.S. generalized system of preferences program.

### FRA DEMANDS IMPROVEMENTS

Administrator Amit Bose, Head of the U.S. Federal Railroad Administration (FRA), **warned** Class I railroads that the FRA will take enforcement action if they don't make the recommended improvements to their engineer and conductor training and certification programs. Class I railroads, particularly the four largest U.S. systems, have been hiring conductors more rapidly than ever as they try to solve widespread labor shortages.

### RENEWABLE FUEL STANDARD

The Renewable Fuel Standard (RFS)—a USD \$30B a year government crediting program—will now **consider** electricity generated from biogas as a credited fuel. Bloomberg estimates these new electricity-based credits, called eRINs, could be worth \$1.6 billion in 2024 and \$3.6 billion in 2025.

For context, the RFS sets the volumes of biofuels that fuel producers need to blend into their products and has played a major role in the U.S. becoming the largest biofuel producer in the world.

## Laws/Legislation



### BRAZIL REVERSES PORT PRIVATIZATION

The former Bolsonaro government gambled that privatization of port control would accelerate modernization, especially for land infrastructure connecting the docks, but this state policy has been **discarded** after the inauguration of Luiz Inacio Lula da Silva. There is still ongoing **debate** throughout Brazil; for example, the governor-elect of São Paulo, Tarcisio de Freitas, responded that he will defend privatization, among others taking a similar stance.



### RUSSIA WORKS AROUND EU SANCTIONS

Sweeping European sanctions have **prompted** Russia to transport more crude oil on its own tankers, as well as on a shadow-fleet of tankers without ownership information. Since sanctions began on 5 December 2022, European-owned tankers have taken about 30% of the cargo shipped from Russia's key western oil ports, down from about 50% before. In contrast, the share moving on Russian vessels has risen to 35%, up from 22%. Turkey, China, and India continue to **fill the void**. Exports to India **increased** from virtually nothing to 1.2M barrels per day in November 2022, while China has **kept** imports steady at historical levels.

## Tariffs/Surcharges

### UAE IMPORT FEES

The United Arab Emirate's Ministry of Foreign Affairs and International Cooperation **announced** new rules for international imports that are set to take effect in February 2023. Commercial invoices of imported goods valued at USD \$2,724 (AED \$10,000) or more will be subject to a fee of USD \$41 (AED \$150) each.

Additionally, the UAE recently imposed new customs duty on personal international orders valued at USD \$82 (AED \$300) and above.