



Market Report 3/2024



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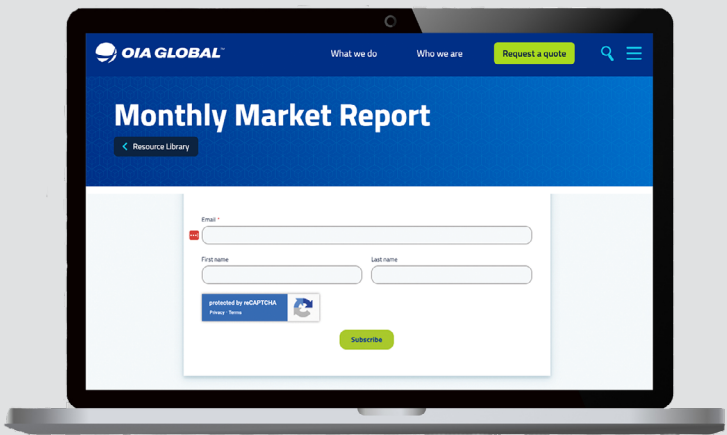
Government action, rules & regulations, customs & compliance updates, etc.



Note

All monetary figures are shown in United States Dollars (USD) unless stated otherwise.

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Disruption



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Red Sea Crisis

Major shipping companies are warning that the security situation in the Red Sea continues to **deteriorate**. In a recent TV interview, Maersk's Chief Executive Officer Vincent Clerc **said**: "We've not seen the level of threat peak... to the contrary. The amount or the range of weapons that are being used for these attacks is expanding and there is no clear line of sight to when and how the international community will be able to mobilize itself and guarantee safe passage for us."

- Many analysts throughout the maritime industry expect the Red Sea crisis to extend well into the second half of 2024.
- Chinese-owned merchant ships are getting hefty **discounts** on their cargo insurance, further **punishing** the commercial interests of vessels with ties to the west. Some Chinese-linked vessels are paying as little as 0.35% of their hull and machinery value to obtain insurance, whereas most ships are paying somewhere between 0.5 - 0.75%.
- Since 12 January '24, when the first U.S.-led military strikes began on Houthi land targets, more than 106 tankers have **changed** routes to avoid the area.
- By mid-February, >600 container vessels had been **re-routed**.

Arsenio Dominguez, secretary-general of the International Maritime Organization (IMO), said his organization spoke to authorities in Somalia and other countries around the Gulf of Guinea to **ensure** that piracy does not become a grave problem again. "They need to be more in line with how they were back in 2008 to 2012 off Somalia," Dominguez stated.

- In related news, Somalia's government recently **signed** a 10-year defense and economic cooperation pact with Turkey, amidst growing tensions with neighboring Ethiopia about the usage of the Port of Berbera.

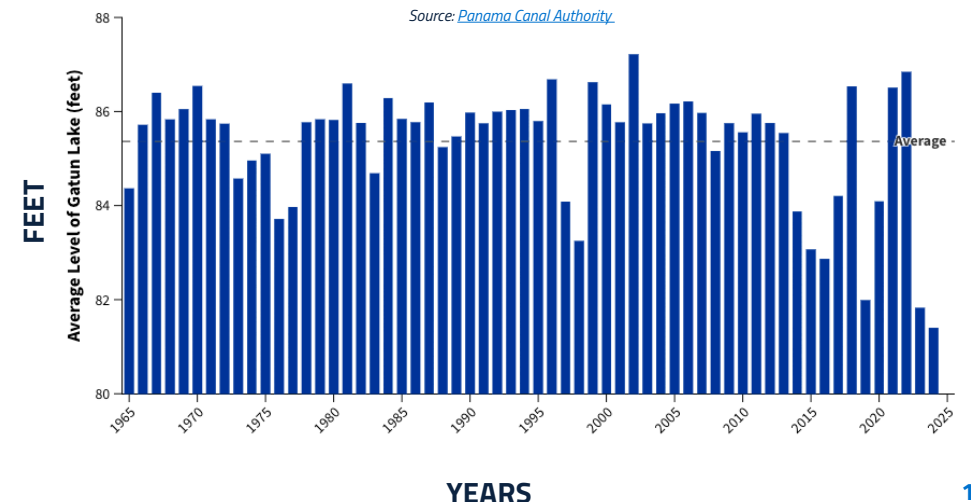
OIA's Solutions >

Panama Canal Drought

The Panama Canal Authority (PCA) currently allows vessels with a maximum draft of 44 feet and has avoided cutting that number further because it would force many ships to reduce their load size, making some shipments unprofitable.

- Authorities see no need for further vessel transit **restrictions** until at least April '24, when PCA will **re-evaluate** water reservoir levels at the end of the dry season.
- "If rainfall does not begin in May, we would evaluate again whether to cut transit by one or two vessels per day, or to reduce maximum vessel draft to 43 feet," Panama Canal Authority Deputy Administrator Ilya Espino, said.
- Notably, 3/5 largest ports in the U.S. **rely** on shipments via the Panama Canal: New York/New Jersey, Savannah, and Houston. In January, these three ports combined to handle 30% of the United States' total 20' TEUs.

AVERAGE LEVELS OF GATUN LAKE



Market Trends



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Intermodal rail volumes [rose](#) 5.5% in the first five weeks of '24, according to the Association of American Railroads.

Amidst container shortages and global disruption, some companies are [choosing](#) dry bulk vessels instead of containers.

Major container leasing firms are [enjoying](#) a boost from an increased demand for equipment.

Since Russia's invasion of Ukraine, the world's "shadow tanker" fleet—ships [hauling](#) Venezuelan, Iranian, North Korean and Russian oil cargo—has grown from around 400 ships to >700.

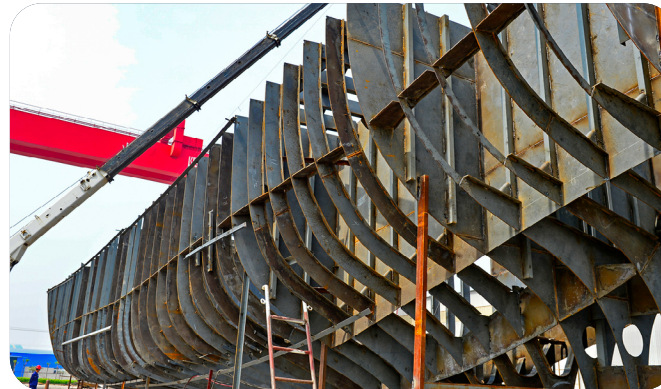
QatarEnergy, which already [owns](#) the world's largest fleet of liquefied natural gas (LNG) carriers, is amidst its largest-ever fleet expansion program. The Persian Gulf state will increase its LNG production capacity to 142M tons per annum (mtpa) before the end of 2030.



- South Korean shipbuilder Samsung Heavy Industries (SHI) [secured](#) a contract to [construct](#) 15-25 new LNG carriers for roughly \$3.44B (KRW 4.57T).
- Shenzhen is [offering](#) subsidies to LNG operators to boost its development as a global LNG hub.

GLOBAL CONTAINER CAPACITY

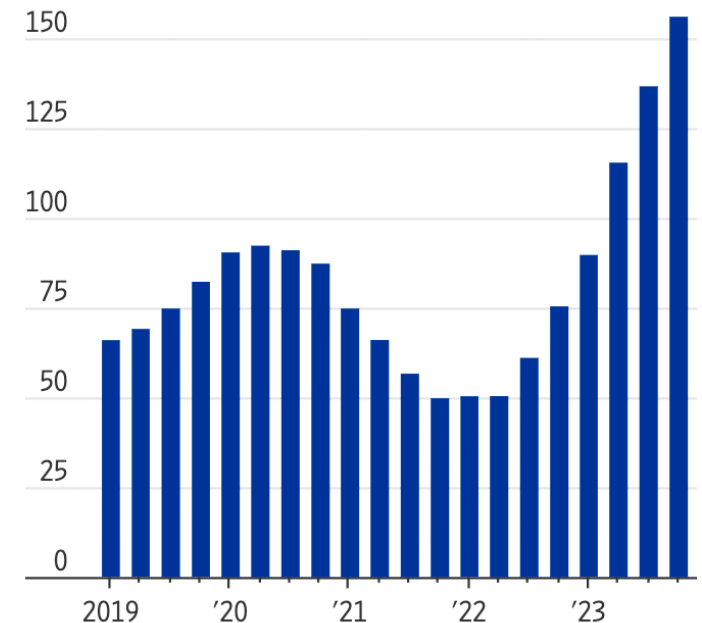
The global container fleet is [expected](#) to grow 10% in 2024 with the addition of 470+ new ships totaling 3.1M TEUs of capacity. A record 41 containerships, worth roughly 300,000 TEU, were [delivered](#) in January '24, including eight of >15,000 TEU.



- Vincent Clerc, CEO of Maersk, [noted](#) that Q4 '23 was already "very difficult" and that was before the delivery of new vessels. "It's a return to a significant correction following the very high prices we had following Covid. Overcapacity will be with us for a while."
- Evergreen chairman Chang Yen-yi recently [stated](#): "The main challenge for the shipping industry is overcapacity, supply and demand determine freight levels. Once the situation normalizes, with an economic downturn, freight rates are unlikely to rise. Many operators will have to correct rates and respond by blanking sailings."

AVERAGE U.S. WAREHOUSE SPACE AVAILABLE FOR SUBLEASE (QUARTERLY)

175 million square feet



Source: Savills accessed via WSJ

Services

- ➡ Mediterranean Shipping Company (MSC) **combined** two existing container services, resulting in more direct port calls between the Jacksonville Port Authority (JAXPORT) and South America's western coast, with new connections to Ecuador, Peru, Panama and Costa Rica.
- ⊕ The Port of Virginia **expanded** its portfolio of international connections via two new services that connect directly with Latin America. The port will begin to **receive** two new vessel strings in Central and South America from ocean carriers CMA CGM, MSC and ONE, providing a boost for its reefer cargo business, which has historically gone to competitors.
- ⊕ MSC's link between Türkiye and Liverpool now **extends** its reach to include Portbury and Greenock.
- ⊕ Union Pacific (UP) **opened** its new Phoenix Intermodal Terminal, **creating** a plethora of connections between the Los Angeles basin and Phoenix while also sourcing international shipping containers from the Ports of Los Angeles and Long Beach and UP's ICTF Intermodal Terminal.
- ⊕ Hong Kong Air Cargo is **launching** a new route between Hong Kong and Liege, Belgium. The cargo carrier's new e-commerce route is served by Airbus A330-200 freighters.
- ➡ CMA CGM's weekly BRAZEX service **connecting** the U.S. Gulf, Latin America and the Caribbean, will now call at Imbituba, Brazil, replacing the port of Navegantes.

Mergers & Acquisitions

The Harim Group's \$4.9B takeover of Korean shipping line HMM is **void** after the two sides failed to reach a deal.

European regulators approved CMA CGM's proposed **acquisition** of Bolloré Logistics.

Maersk continues to cut various activities and has **started** the process of de-merging its towage and marine services business Switzer.

United Parcel Service (UPS) is **considering** a potential sale or other strategic alternatives for its brokerage unit Coyote Logistics.

Digital freight broker CDL 1000 **acquired** competitor NEXT Trucking.

Ancora Holdings, an investor group, **launched** a formal bid to take over Norfolk Southern (NS). The group recently acquired an equity stake in NS worth over \$1B and it is now **proposing** a new structure for the organization.

J.B. Hunt Transport Services **acquired** Walmart's fleet of shipping containers and signed a multiyear agreement to provide intermodal services for the retailer. Walmart's box fleet **measures** about 15,000-16,000 containers.

Parcel delivery company Yodel has been **sold** in a consortium deal led by its rival operator, Shift.

Transport Technology

For the first time, Stax Engineering **deployed** its pollution-capturing technology at multiple ports (L.A., Long Beach and Oakland) to service vessels. The system is powered by renewable diesel and is designed to capture and filter exhaust from container ships and auto carriers, removing 99% of diesel particulate matter and 95% of nitrogen oxide. It then releases pollution-stripped gas containing a mixture of CO² and water vapor.


AFWERX, the innovation arm of the U.S. Air Force, is **collaborating** with Pyka, an autonomous electric cargo plane builder. The U.S. government is researching unmanned planes' viability for entry into commercial markets, with the planes currently maintaining a 400-pound payload capacity and a 200-mile range.




Wind propulsion specialist Norsepower Oy Ltd **received** its largest order to date for its cutting-edge Rotor Sail™ technology, which is a modern adaptation of the Flettner rotor concept.

- The system utilizes electric power to spin cylindrical rotors on the ship's deck, which then interact with the wind to produce a thrust, reducing the vessel's fuel consumption and subsequently lowering emissions.

-

-  Colombo's East Container Terminal (ECT) envisages a 1,300 meters long quay to accommodate three Ultra Large Container Carriers (ULCC) for a total length of 400 meters.
- The Sri Lanka Ports Authority (SLPA) is set to receive 12 brand new Ship-to-Shore (STS) gantry cranes and 40 Automated Rail-Mounted Gantry (ARMG) cranes from China at a total cost of \$282M.

-  DP World **welcomed** Europe's largest quay cranes at its London logistics hub. The cranes have been fitted with the latest automation technology and can complete 'tandem' lifts: the loading or unloading of two 40' boxes or four 20' boxes in a single move.

-  **Zambian President Hakainde Hichilema said** the U.S.-backed project to connect Zambia's copper mines to Angola's port offers the nation a "once-in-a-lifetime" opportunity.

Sustainability/ESG

The International Air Cargo Association's (TIACA) latest sustainability survey **revealed** a growing gap between smaller and larger organizations in terms of investment.

- The survey **showed** that 92% of large companies had a sustainability strategy, compared with 56% of medium companies and 46% of small companies.
- Around 70% of large companies produce a sustainability report, compared with just 21% of medium companies and 17% of small companies.

The broad outlook for electric vehicles (EVs) keeps **getting** worse as both Rivian and Lucid are now worth a fraction of the prices they fetched at their 2021 public-market debuts.

Asia-based ocean carriers are expected to **face** a €500M (USD \$540M) bill this year for compliance with the European Union's Emissions Trading System (ETS), with the annual cost rising to €1B once the mechanism has been fully implemented.

Sea-Intelligence **estimated** worldwide fuel usage per day throughout the shipping industry, finding that since the adoption of IMO2020 shipping lines have saved a total of \$13B through the deployment of scrubbers.

AP Moller-Maersk **achieved** an industry first: validating that its decarbonization targets are in **alignment** with the Paris Agreement's goal to hold the global average temperature increase at 1.5C above pre-industrial levels. Maersk's goals were verified by the **Science Based Targets initiative** (SBTi).



Diversions away from the Red Sea and around Africa's Cape of Good Hope are set to increase emissions by as much as 70% after vessel operators increased speeds to compensate for the longer route.

- The European Shippers' Council (ESC) **estimates** that €200 (USD \$216) per TEU would cover the additional operating costs of re-routing vessels around southern Africa.



ESG AT OIA GLOBAL

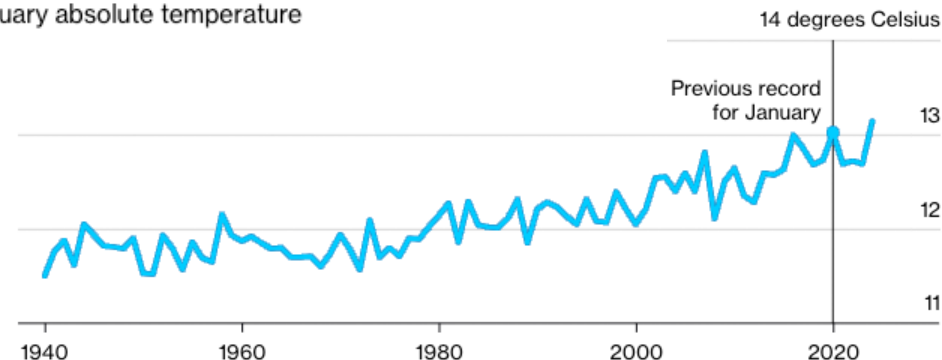
OIA takes a holistic approach to the supply chain, recognizing that sustainability begins with ethical material management, is refined in packaging, and continues through transportation.

[Learn more](#) >

WARMEST JANUARY EVER

Temperature records keep getting broken...

January absolute temperature



Source: Copernicus Climate Change Service [accessed](#) via Bloomberg

Laws/Legislation



The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) continues to **enforce** price caps, repeatedly imposing sanctions related to Russian oil.

- Furthermore, the U.S. recently **imposed** new sanctions on Russian oil-shipping giant Sovcomflot.



The U.S. Department of Homeland Security is increasing its scrutiny of domestic solar companies, **asking** for additional information about their supply chains.



The European Commission **reached** an agreement on the Net-Zero Industry Act, a bill aimed at boosting the manufacturing of domestic clean energy technology.



Legislators recently **conducted** final negotiations for the European Union's (EU) Port State Control Directive (PSCD), a crucial framework that upholds high standards in shipping safety, security, working conditions, and environmental protection.



FMC UPDATES D&D REQUIREMENTS

To crack down on abusive container late fees, the Federal Maritime Commission (FMC) imposed **new billing standards** on ocean carriers and terminal operators related to detention and demurrage (D&D) charges. Starting 26 May '24, container ship carriers and marine terminal operators will be **required** to issue detention and demurrage invoices within 30 calendar days from when charges were last **incurred**.



UTILIZATION REQUIREMENTS FOR SOLAR CELLS AND MODULES



All "applicable entries" from Cambodia, Malaysia, Thailand, and Vietnam entering the U.S. after 15 November '22, and before 6 June, '24, (date of termination) must be used or installed in the U.S. by the "utilization expiration date," 180 days after the date of termination. Items that are not utilized by the expiration date will be subject to antidumping and countervailing duties (AD/CVD). Full details are available in the **Federal Register**.



U.S. GOVERNMENT TARGETS SUPPLY CHAIN CYBERSECURITY



On 21 February '24 the Biden Administration released an **executive order** giving the Coast Guard the authority to control the movement of vessels suspected of being cyberthreats to U.S. maritime infrastructure, as well as the authority to inspect suspicious vessels and facilities.

- Owners or operators of Chinese manufactured ship-to-shore (STS) container gantry cranes will be subject to new requirements aimed at **reducing** China's ability to spy on America's domestic supply chains. By design, STS cranes may be controlled, serviced, and programmed from remote locations, **making** them highly vulnerable to exploitation.
- In related news, one of the United States' largest electric vehicle public charging networks **received** cybersecurity certifications from the federal government, clearing the way for federal contracts.





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