

To the IIMS Management Board and Members of IIMS:

It has certainly been a difficult year for the world. Due to coronavirus we are facing unprecedented lockdowns which are impacting all industries and our personal lives. Since our conference in 2019 and our last AGM the world has changed beyond recognition and we have some very tough times ahead.

The global shipping industry is facing one of its hardest times ever, with many crew members unable to leave or join vessels because of the coronavirus travel restrictions. It is estimated by Nautilus, the marine seafarer's union, that there are approximately 1.6 million seafarers who cannot pay-off from vessels and go home to their families. This is cause for considerable concern among operators, technical managers and crewing agents who cannot fulfil some of the fundamental ISM requirements, and it is now impacting the operational safety of vessels.

Despite some leading Class Societies making recommendations to IACS, they have only recently come up with a uniform agreement that allows vessels to have extensions to their surveys, including Dry Dockings and Special Surveys which normally have no permissible overrun dates. This means that there are ever more vessels sailing with overdue or expired Class Certification with the consequence that vessels, their cargoes and their crew may not be insurable. IACS announced on 6th May 2020 the set-up of a COVID-19 Task Force to identify and assess measures that can be implemented in a coordinated fashion to help business continuity, and the IMO has issued a number of Circular Letters calling for close cooperation among member states to overcome challenges and assist maritime trade during the COVID-19 pandemic.

Building of new vessels continues in Asia but it is being significantly frustrated by the coronavirus. It is proving very difficult to have major components shipped from overseas and, for service engineers to travel to the new building ports to commission new equipment. This in turn is causing delays for vessels ~~to proceed to~~ sea trials for delivery acceptance by the owners, and for crews s to join vessels for sea trials and ~~for~~ deliveries.

In Korea it is necessary for incoming crew to self-isolate (go into quarantine) for 14 days prior to being allowed into the shipyards, however, this is being managed well by the main shipyards who are helping owners with hotel accommodation for their crews, and by the Korean Health Authorities who are assisting with crew support and health monitoring.

Work in the shipyards continues with resolve in Japan, Korea and China and they are all competing for new building projects. A huge boost to the industry was given at the end of April by Qatar Gas (QG) when they announced that they require up to 120 LNG carriers to be built. QG confirmed an initial order for 8 + 8 option building slots with Hudong in China and, with the withdrawal of the one Japanese yard, KHI, it is likely that the remaining orders will be awarded to the three big Korean yards, HHI, DSME and SHI. P&O Ferries are taking up new orders in China to replace the Dover-Calais RO-PAX vessels and building will start in September 2020. Generally, new order books in the Korea and South Asia are looking promising, although the cruise ship industry has been decimated by COVID-19 and only time will tell whether that market will recover its original popularity.

With shipbuilding becoming more and more competitive, HHI, the biggest shipbuilder in the world, announced in 2019 that it would take over DSME, and the controversy of this takeover still lingers. However, it seems likely that Korea Shipbuilding and Offshore Engineering (KSOE), the holding company owned by HHI Group which owns a number of other major shipyards, will finally take over DSME, thus creating a mega-corporation. This will sound familiar to people who know about the structure of the Chinese shipbuilding industry where most of the major shipyards are owned and managed by the China State Shipbuilding

Corporation Ltd. (CSSC), creating a monopoly and unfair competition. The takeover of DSME by HHI, however, is not a Korean government-funded transaction but an attempt by the government to reduce DSME's debt held by the Korean National Bank for many years. Japan is still very vocal about the DSME takeover and they raised the matter with the World Trade Organisation. The reality is that Japan is no longer competitive in international commercial shipbuilding and slowly but surely the industry is closing down. It remains to be seen how the new building market as a whole will develop in the next few years, but there is certainly a requirement for ships to support new export markets such as Qatar Gas North Field Expansion, and to replace older vessels in service.

The orders by Qatar Gas LNG for 120 new ships will certainly boost the new building market as well as the LNG global export market for the next five to fifteen years. Even UK has signed up for 15 years supply of LNG from Qatar. Northern Ireland is developing its LNG receiving and storage infrastructure accordingly. All part of post-BREXIT independence? Another huge shipbuilding project for Yamal to service the Northern Siberian gas fields will require construction of a further fifteen Arc7 Ice-class LNG Carriers. Also, just announced in mid-May DSME has been chosen as part of a Joint Venture to support the expansion of Nigeria LNG exports, shore side infrastructure – Train 7. This will ultimately lead to the need for additional LNG vessel to be built to support to export of the Gas once the new terminal comes online.

We are also seeing many conversions of older LNG Carriers into FSRU's to provide 'Jettyless' LNG connectivity for new evolving markets in countries such as Mozambique and Cyprus, however, meeting the need for cleaner and cheaper fossil fuels will not be the end of the environmental story. Because of the imposition of the new IMO Tier III requirements for exhaust emissions, we have seen a huge retrofit programme in 2019 and early 2020 for Exhaust Gas Scrubbers (EGS) and Selective Catalytic Reduction (SCR) processes for NOx and SOx reduction. This is ongoing, providing an expensive short-term solution for the continued use of Heavy Fuel Oils on ships, but I am sure that there is a lot more to come. We will see future technology evolving to further reduce the environmental footprint of the marine industry. Conversions to LNG as a fuel is one expensive option but it is not always viable for existing ships. Other technologies such as Hydrogen Power, Fuel Cells, Hull Form Optimisation are being pushed by owners to shipyards and designers, as well as the use of hull 'bubbler' systems claiming to reduce propulsive power requirements by up to 8%, and thereby offering fuel savings and reduced emissions.

IIMS Members are urged to keep up with these evolving technology changes as we will be called on in the future to survey these vessels, whether as a newbuilding superintendent or as a surveyor, appointed on behalf of an insurance company.

There will be great opportunities for us in the global maritime market, so we all need to be supportive of our industry as we move forward and look to expanding the membership of IIMS as the preferred Professional Institute for Marine Surveyors worldwide.

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