

# MONTHLY CONTAINER SHIPPING BAROMETER



July 2023

upply

## Sea Freight Rates are flatlining in July

Sea freight rates seem to have reached a low point on the main corridors in July 2023. In 2024, the integration of maritime transport into the emissions trading system could change the rules of the game. Constraint or opportunity for shipping companies? The question is open.

### Highlights of July

- *Flatlining freight rates*

On the majority of major corridors, **freight rates now seem to have bottomed out**. Shipping companies are now hoping for a revival of orders that could result in an increase in prices in the 4th quarter, but for now, caution must be exercised, which means a permanent readjustment of services.

- *IMO's Revised Greenhouse Gas Reduction Strategy*

Member States of the International Maritime Organization (IMO) adopted on 7 July **a revised strategy for the reduction of greenhouse gas (GHG) emissions from ships**. This strategy includes “an enhanced common ambition to reach net-zero GHG emissions from international shipping close to 2050, a commitment to ensure an uptake of alternative zero and near-zero GHG fuels by 2030, as well as indicative check-points for 2030 and 2040.”

Some environmental groups have deplored objectives that are far too timid in the face of the climate emergency, and it is clear that these criticisms are sometimes not unfounded:

- Open-loop scrubbers, which release sulphurous exhaust particles into the sea, are a way to circumvent the spirit of the regulations.
- The IMO 2030 rules have already met by almost all operators on paper, in particular thanks to (or caused by, depending on the point of view) the massive use of these scrubbers as well as the use of super slow steaming.

**The pressure is mounting for more binding commitments**, especially as public opinion is increasingly sensitive to the challenges of decarbonisation, in the face of the now palpable and factual acceleration of global warming. The maritime sector is only a small component of GHG emissions, accounting for only 3% globally, compared to 10% for the textile industry. Nevertheless, no industry can turn a blind eye to the issue anymore.

Camille Egloff, Senior Associate Director of Boston Consulting Group (BCG), has just presented a vast and brilliant study on the subject, of which here are some key figures:

- The cost of carbon neutrality in the maritime sector is estimated at \$2.4 trillion over 30 years.
- The financing of these investments would represent 10 to 15% of the freight rates collected over the period.
- 82% of shippers know that they will have to pay an additional cost but do not plan to spend more than an additional 3% on their maritime transport purchase budget. The study points out that these figures are in positive evolution. Last year, 70% of shippers said they were willing to pay an additional cost, of only 1%.
- The BCG highlights 4 levers for change management: regulation, financing, consumer behaviour and employee behaviour.

The European Union is very active on these issues and as such has adopted a **body of regulations based on the legislative package *Fit for 55***. This roadmap adopted in 2021 is applicable in several sectors, particularly in transport. On 23 March 2023, [the European Parliament and the Council reached an agreement](#) on the use of cleaner maritime fuels. Emissions from ships will have to be reduced by 2% from 2025 and by 80% from 2050. Furthermore, the recent reform of the EU Emissions Trading System (ETS) resulted in [the integration of maritime transport into the system](#). The obligations imposed on shipping companies to surrender allowances will be introduced gradually: 40% for verified emissions from 2024, 70% from 2025 and 100% from 2026. **The EU becomes "the first territory to explicitly set a carbon price for emissions from the maritime sector"**.

Europe thus reaffirms the polluter pays principle, in this case the shipper. **Shipping companies will therefore become de facto brokers in emission allowances on behalf of their customers.** "Ship companies will not receive any free allowances. Emission allowances can be acquired in the primary market through auctions arranged by the European Energy Exchange (EEX) which is currently contracted by the EU to handle this. There is also a substantial secondary market where allowances can be traded bilaterally or through various derivatives offered by financial institutions", says [the company DNV](#). This financialization of emissions may obviously allow companies to find an additional source of revenue, but will it be enough to finance the accelerated technological evolution of their ships? This question remains unanswered.

**Environmental lobbies, on the other hand, do not hide their scepticism.** "Under the current law, 6% of shipping will run on green e-fuel by 2035 and this will rise to 24% by 2040. To ensure the sector decarbonises on time, the share of green e-fuels will need to be at least 18% and 85% in 2035 and 2040 respectively, alongside strong energy efficiency measures." points out [a study by Transport & Environment](#).

This study presents some fairly credible hypotheses about the rise of transitional fuels. Ammonia, often highlighted in our columns, would seem to stand as being particularly relevant as no technological innovation is yet available that makes it possible to do away with the internal combustion engine.

- **Fremantle Highway Fire**

On the night of July 25-26, a car carrier, the Fremantle Highway, [caught fire off the coast of the Netherlands](#). The ship had left the German port of Bremerhaven for Port Said in Egypt before returning to Singapore, its final destination. It was carrying 3,783 new cars, including 498 electric vehicles, according to the K Line company that chartered the ship. The causes of this fire, which killed one of the crew's sailors, have not yet been determined, but according to some accounts, one of the electric cars may have caused it. This was enough to revive discussions on strengthening regulations, while insurers have already sounded the alarm on [the risks related to lithium-ion batteries](#).

**SMART** by **upply**

Benchmark your freight rates

& follow their evolution by road, sea & air freight worldwide

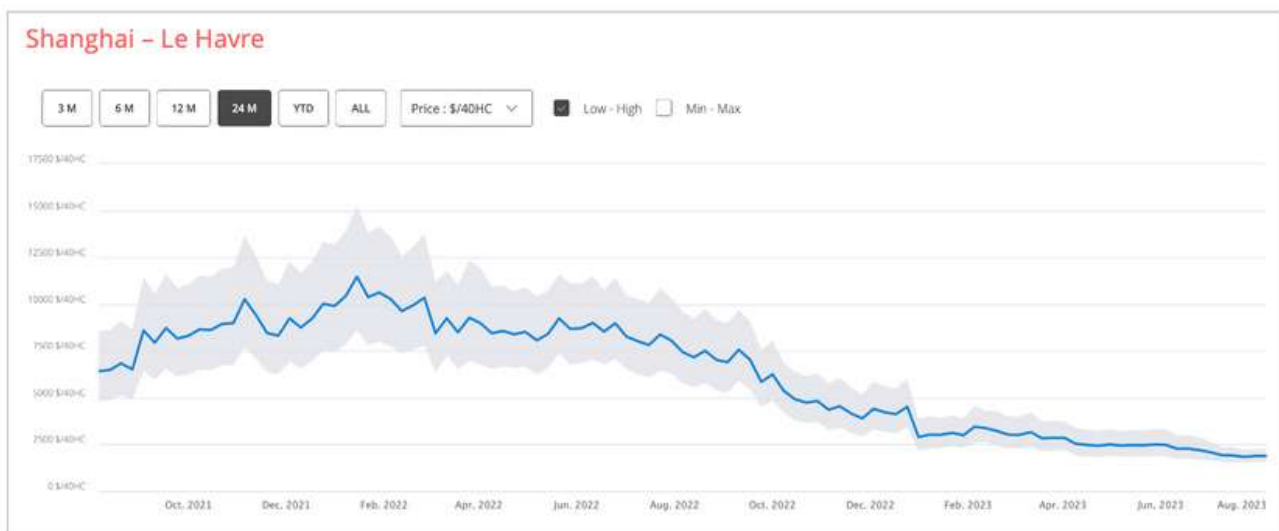
**DISCOVER SMART**

The image shows a laptop displaying the 'upply' dashboard. The dashboard includes a 'Median 1 599 €' gauge, 'Benchmark information' with a 'Confidence index A' and 'Very highly confident in our price', and 'Environmental impact' data for CO2, NOx, PM, SO2, and VOCs. The 'Trip information' section shows a distance of 1,821 km and a duration of 1 day, 3 hours, 1 minute.

## 1. PRICES

July was another sluggish month when it came to freight rates. Market low points seem to have been reached on the majority of trades. Transpacific trade regains some small % points, while the last barriers on Transatlantic trade broke down to achieve pre-pandemic levels. A sense of optimism is still lacking, even if some industrial order indicators are proving quite positive for Q4.

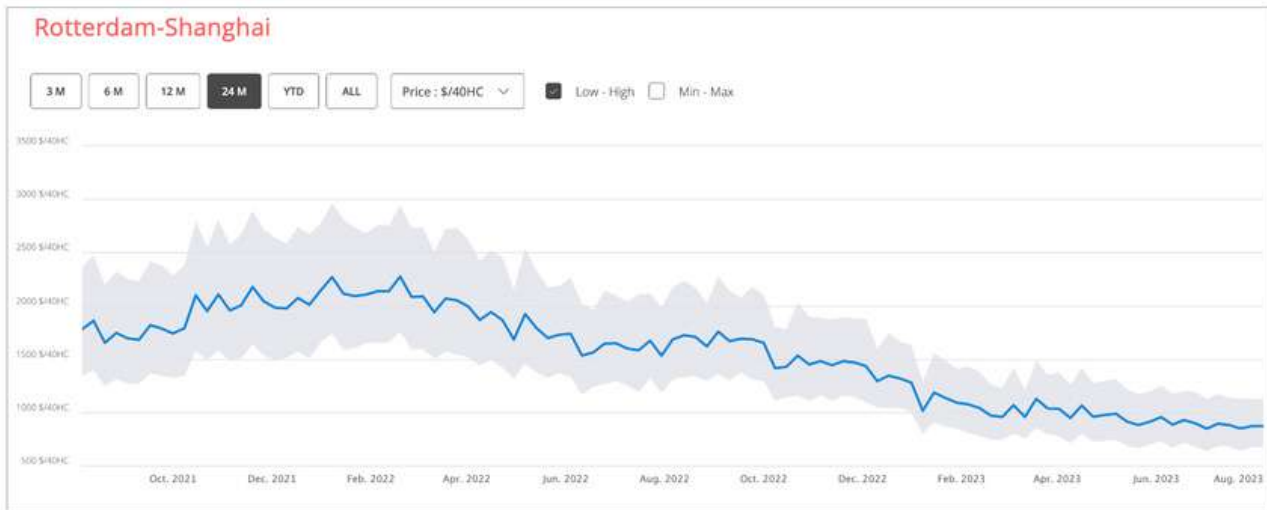
- **Asia - Europe**



Evolution of invoiced prices (mix of spot and contract) between Shanghai and Le Havre, THC included, on the basis of a 40' HC DRY container, for dry non-dangerous goods in port to port.

Source: [Uapply](#).

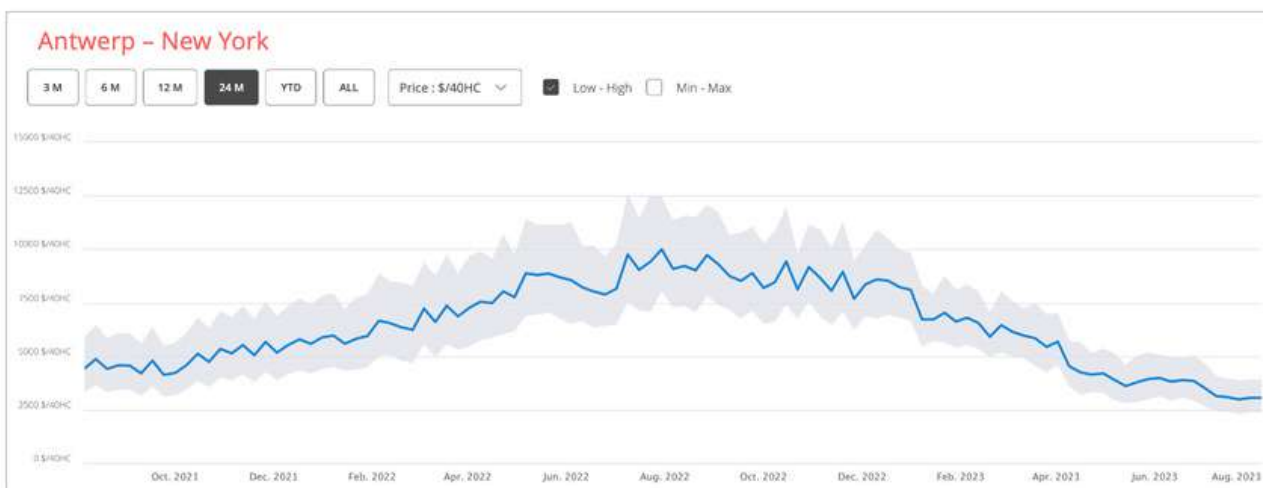
## • Europe - Asia



Evolution of invoiced prices (mix of spot and contract) between Rotterdam and Shanghai, THC included, on the basis of a 40' HC DRY container, for dry non-dangerous goods in port to port.

Source: [Upply](#)

## • Europe - USA



Evolution of invoiced prices (mix of spot and contract) between Antwerp and New York, THC included, on the basis of a 40' HC DRY container, for dry non-dangerous goods in port to port.

Source: [Upply](#)

## 2. SERVICES

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In its latest market analysis, dated July 31, the analysis firm Sea Intelligence notes [a decline in the reliability of services during the month of June](#). **Reliability index lost 2.5 points at 64.3%**. This is the first decrease since the beginning of the year. On the other hand, the index remains 24.4% above the 2022 level.

At the same time, the delay for late vessel arrivals is reduced by 0.1 days to 4.36 days. Also, according to Sea Intelligence, over the last three months from April to June, the average delay for late vessel arrivals was 0.03 days, or about 45 minutes per ship.

**If the ratios are higher than those of 2022, the improvement recorded since the beginning of the year has not yet made it possible to see regular services "metronomizing" and running like a Swiss watch yet.** According to Sea Intelligence, MSC holds the top spot for regularity in June with a reliability rate of 70.6%. It is closely followed by Mærsk (69.9%) and CMA CGM (about 68%). In total, seven shipping companies fall within a regularity range of between 60% and 70% (MSC, Mærsk, CMA CGM, Hamburg Süd, a subsidiary of Mærsk, Evergreen, Cosco and OOCL). At the bottom of the rankings, Hyundai Merchant Marine tops out at 48.5% regularity.

Before the pandemic, the reliability rate of services reached 90% for certain shipping companies such as ZIM. With 70%, the maritime sector has never been so close to its peak, but still has a significant way to go to catch up. However, **several market observers fear a further deterioration in the "metronomizing" of regular shipping lines, in connection with the arrival of new capacity.**

According to the first available indications, the month of July seems to be trending downwards. Social tensions in Canada's West Coast ports partly explain this trend. The social movement began on 1st July, before being suspended and then renewed for two more days.



Due to this, Cosco Shipping Lines, for example, indicated at the beginning of the month it would apply a day-to-day management of services according to the evolution of the strike movement. Mærsk Line has announced the cessation of calls at the ports of Prince Rupert and Vancouver. The first ships to serve these ports left Asia on July 31.

Another reason for this regularity of up to 70% is **the maintaining of blank sailings in recent months**. [According to Sea-Intelligence](#), the share of cancelled sailings reached 8.7% in July. Forecasts give a blank sailing rate of 6.4% in August, but this figure could change. For Sea Intelligence, stopover cancellations are expected to resume soon, especially on the Asia-Europe corridor, due to low freight rates. Shipowners are expected to compensate by readjusting services.

- **Transpacific**

Already, on the Transpacific corridor, the sluggish market is encouraging shipping companies to continuously readjust their services. For example, **The Alliance** has announced an overhaul of its services on routes between Asia and America. As such, the PS5 (Pacific South 5) is suspended. To ensure continuity of services, the members of The Alliance distribute its stops across three other services PS3, PS6 and PS7. The PS3 has had a stopover in Tokyo added. The PS6 service has seen its halt in Busan replaced by one in Shanghai. As for the PS7, it adds a stopover in Busan. With these modifications and the adaptation of the fleet, the shipping companies that are members of The Alliance affirm that the links provided by the PS5 will be carried over to these three services. The implementation of these new services has been announced for the month of August, without a specific date.

**The social movement in Canada's West Coast ports has also disrupted the launch of the new configuration of the Chinook service** between China, South Korea and the West Coast ports of North America. This reconfiguration of the service has been postponed to an unspecified later date. The new Chinook service was to reach Vancouver as the first port in North America. For now, the service reaches Seattle first, then Portland, and finally Vancouver. In this way, despite the disruptions caused by the social movement, the stopover in Vancouver is maintained.

- **Asia - Europe**

The sluggish market between Asia and Europe is prompting shipowners to downsize. As such, **MSC** announced stopover cancellations on the Griffin service and stopovers subject to inducement on the Lion, Swan and Silk routes.

**ONE has signed a cooperation agreement with CMA CGM and Hapag Lloyd** to obtain space in ships providing the Indamex2 service. ONE will have 300 slots during stopovers in India, Pakistan, Saudi Arabia, the United Arab Emirates, Morocco, and Spain going to the East Coast of the United States. The service reaches the ports of Port Qasim, Mundra, Nhava Sheva, Jeddah, Norfolk, Charleston, Savannah and returns to Port Qasim.

In its July 14 newsletter, Dynamar announces **the first trip of the Hainan Yangpu New Shipping via the Arctic route between Europe and China**. The ship left St. Petersburg for Qingdao, Tianjin and Shanghai. The shipping company indicates that it will make four trips by this route during the summer of 2023. Dynamar specifies that the use of the Arctic route by container ships remains low. Only five trips were made in 2022 for 12,300 t, representing a 30% market share. The majority of vessels that use this route are bulk carriers and oil tankers. Some companies, such as MSC and CMA CGM, announced as early as 2019 that they were giving up using this route, for ecological reasons.

**The Kalypso shipping company is improving its service between Asia and Europe by adding four ships to its Marco Polo service**. Thus, the rotation will change from a fortnightly frequency to weekly. In addition, the company decided to stop off at the port of Gaeta in Italy. Located halfway between Rome and Naples, this port has not yet handled containers. Kalypso estimates that it will be able to handle traffic of 50,000 TEUs in 2023 and double that in the coming years.

### 3. OPERATIONS

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Given the low volumes, there is no significant congestion in the world's major ports. On the other hand, social tensions remain high on the docks, especially on the American continent. Social movements by dockers disrupted activity in the United States and Canada.

### AUTHOR

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*The "Services" section of this barometer is produced in collaboration with Hervé Deiss, who is a journalist specialized in maritime transport and port issues.*

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