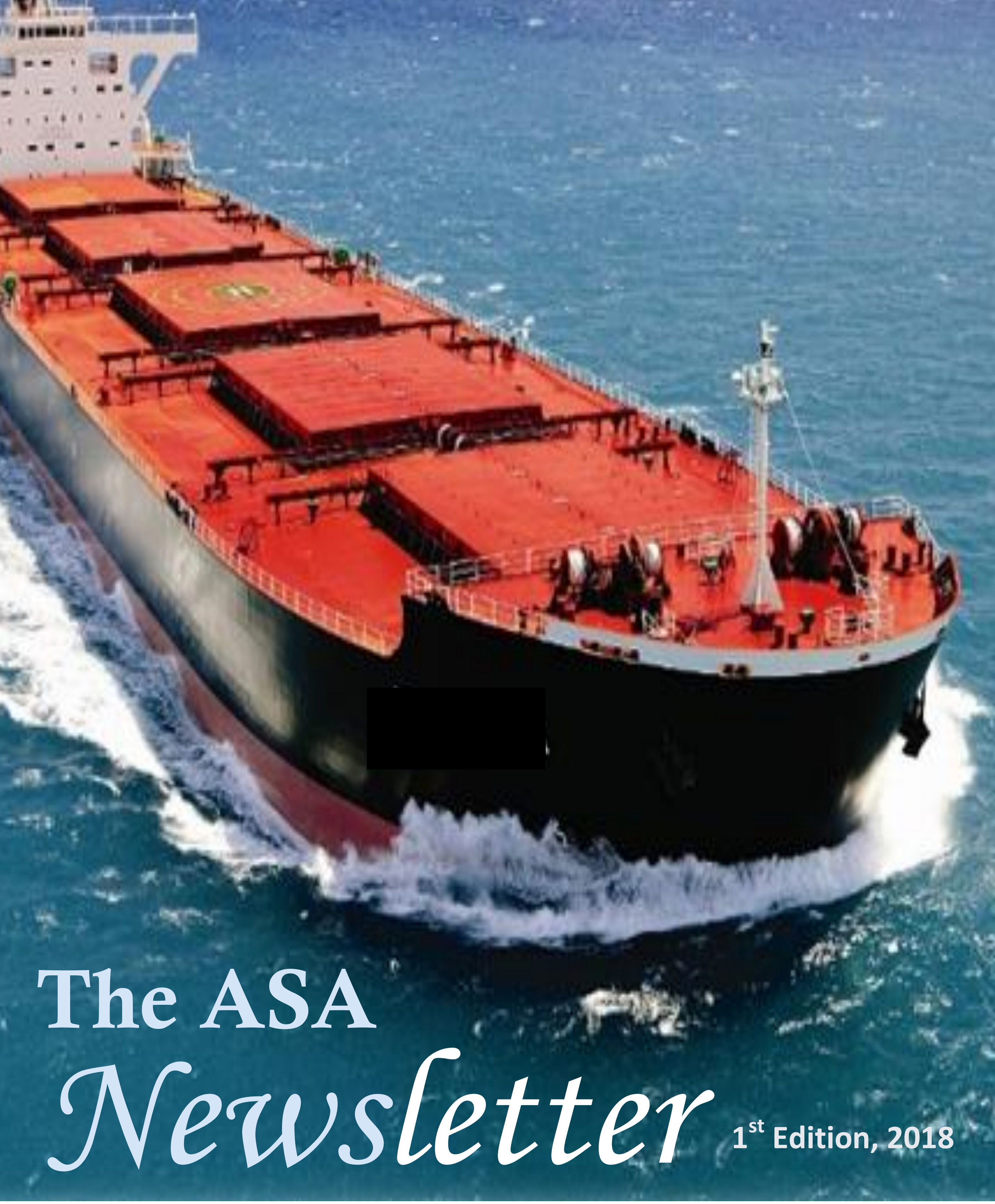

The ASA *Newsletter*

1st Edition, 2018

The ASA is represented by the following member associations:

CSA | JSA | KSA Korea Shipowners' Association | MARITIME INDUSTRY AUSTRALIA LIMITED

Events : 1st Quarter 2018

Date	*Name of Event*	*Organiser & Location*
16 January	Nautical Forum	ReCAAP ISC, Singapore
17 January	1st Maritime Knowledge Shipping Session: Disruptive Technologies and Cyber Risks	SMF & GIA, Singapore
18 January	SmartCon Launch	BIMCO, Singapore
24 January	2nd Coordinating Meeting for PSR Conference 2018	ReCAAP ISC, Singapore
30 January	29th Shared Awareness Meeting	RSN IFC, Singapore
2 February	3rd Coordinating Meeting for PSR Conference 2018	ReCAAP ISC, Singapore
5 & 6 February	Board Meeting	ICS, London
5 February – 7 March	Member Judging Panel, Seatrade Maritime Awards Asia	Seatrade, Singapore (Portal Judging)
13 February	4th Coordinating Meeting for PSR Conference 2018	ReCAAP ISC, Singapore
23 February	MPA Workplan Seminar	MPA, Singapore
5 March	Annual Executive & Technical Committee Dinner	Intercargo, Singapore
15 March	ASA SPC 30th Interim Meeting	ASA SPC, Tokyo
19 March	ASA SILC 23rd Interim Meeting	ASA SILC, Hong Kong
23 March	ASA SRC 21st Interim Meeting	ASA SRC, Taipei
26 March	ASA SNEC 34th Interim Meeting	ASA SNEC, Singapore

Upcoming Event

ASA 27th AGM, 15 May 2018, Hong Kong

Members are reminded that the ASA will be holding its 27th AGM on 15 May 2018, Tuesday, at the Kerry Hotel, Hong Kong. The ASA AGM this year is special as the ASA and the ICS (International Chamber of Shipping) have arranged their AGMs on a back-to-back basis, with a joint ASA/ICS/HKSOA (Hong Kong Shipowners Association) social bonding day featuring golf, tennis and a family outing on 16 May 2018 in celebration of HKSOA's 60th Anniversary. These joint activities are a reaffirmation of the good relationship between the ICS and the ASA, and will provide members a wonderful opportunity to network. Our appreciation to HKSOA for making this possible and for hosting the ASA 27th AGM.

News Updates

ICS Board Meeting, 6 February 2018, London

As a Regional Partner of the ICS, the ASA Secretary General attended that ICS Board Meeting on 6 February 2016 in London. In addition to internal administration, in-house and membership matters, the ICS Board discussed at length a number of important and key issues facing the shipping industry that will have a significant impact on ship ownership and ship operations. In anticipation of MEPC72 (9 to 13 April 2018, London), the Board discussed at length the direction on the global issues relating to:

- CO^2 Reduction, recent developments, the EU Emissions Trading Systems and MRV regulations, the sentiments on IMO CO^2 Reduction Strategy, including Market-Based Measures and its alternative - Fuel Levy
- Implementation of 2020 Sulphur Cap
- Maritme Security Issues - Best Management Practices on Piracy, Migrant Rescue at Sea
- ILO matters, Special Tripartite Committee on Maritime Labour Covention, ILO Minimum Wage, Crew Abandonment, the Prestige case
- The Board continued its discussion on locating an ICS representative in Asia. The matter will be further discussed at the AGM in Hong Kong, with a decision likely to be taken in September 2018.

ReCAAP Coordinating Meetings, Jan & Feb 2018, Singapore

During the period January and February 2018, ReCAAP held a series of Coordinating Meetings with key stakeholders including ASA, BIMCO, Intertanko and RSIS to decide on significant featured events on the ReCAAP calendar of activities. To gain a more internatinal outreach and profile, ReCAAP has decided to host its annual international ReCAAP conference on Piracy and Armed Robbery outside Singapore and independent of the Singapore Maritime Week (SMW). Details of the its annual conference will be announced by ReCAAP when the the venue and logistics are finalised. In place of the confierence at the SMW and in response to the industry call of a single reporting point, ReCAAP will hold a Roundtable discussion involving key regional Port State Controls, regional and global organisations on 25 April 2018.

ASA SPC 30th Interim Meeting, 15 March 2018, Tokyo

The ASA SPC 30th Interim Meeting saw a new Chaiman Mr Yuji Isoda taking over the the helm from Mr Eizo Murakami. The meeting was attended by the SPC Legal Counsel, Mr Robert K Magovern of Cozen O'Connor who updated and guided the meeting on current global anti-trust legislation and background for the change of name from SERC to SPC. Mr Magovern highlighted and marked the scope of the new SPC – regulations, taxation trade policy, customs, canal Infrastructure, macroeconomics and public policy relations. Also in attendance at the SPC was Mr Simon Bennett, Deputy Secretary General ICS, who presented a paper entitled "Developments of International Maritime Policy" which provided the meeting with a very wide ranging yet thorough insight of the current challenges and issues facing world shipping from the ICS perspective. For the benefit of members, this paper is published in full on Page 6 with Mr Bennett's permission and approval of the ASA SPC Chair.

ASA SILC 23rd Interim Meeting, 19 March 2018, Hong Kong

The ASA SILC at its 23rd Meeting discussed a wide range of legal developments and issues around the world including environmental damage, the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea (HNS Convention), Development of Guidelines on the Places of Refuge for Ships in Need of Assistance in the Straits of Malacca and Singapore, Convention for the Safe and Environmentally Sound Recycling of Ships (Hong Kong Convention), Supplementary Fund Protocol to the 1992 Fund Convention and the Guidelines on Fair Treatment of Seafarers in the Event of a Maritime Accident. For these legal instruments to gain traction, the ASA SILC expressed the desire for members to encourage their respective governments to ratify and apply the Conventions and Guidelines. The ASA SILC has received a request from the Indian National Shipowners Association (INSA) for assistance in the form of approaching the Joint War Committee (JWC) to review the High Risk Area (HRA) located at the Gulf of Oman on the basis that the area has no reported case of piracy or attempted piracy for the past several months.

ASA SRC 21st Interim Meeting, 23 March 2018, Taipei

Members of the ASA SRC 21st Interim Meeting were updated on the progress of ratification by Japan and India arising from their Joint Statement announced in September 2017. It is anticipated that both countries will be able to ratify the Hong Kong Convention (HKC) within 2018. However, for the enactment of the HKC, further support is needed in the form of additional capacity from countries with ship recycling facilities. China was identified as the most promising candidate given the country's well-developed recycling infrastructure. In this respect, the ASA SRC urged the CSA Representative to relay the view of the ASA SRC to China to ratify the HKC as soon as possible so as to meet the requirements of IMO for adoption of the HKC on a global basis. The ASA SRC also expressed concern that the current European Union's (EU) list of approved recycling yards does not provide sufficient recycling capacity. With EU-flagged ships allowed only to recycle at the EU list of approved recycling yards, it is predicted that there will be further capacity shortage for EU-based owner by end 2018 especially with the planned publication of the EU list of approved recycling yards. The ASA SRC was pleased to report that through the combined efforts of all stakeholders (recycling yards, classification societies, worker unions and the State Government) here has been a significant increase in the number of HKC-compliant yards at Alang, India. To date, 60 yards or almost 70% of active yards in Alang have been certified HKC-compliant. With the planned Japanese Government ODA projects, the ASA SRC hopes that the success of this model will be replicated in other countries including Bangladesh. In support of the HKC, ASA SRC strongly urged and reminded all ASA members associations and their respective governments to use only HKC-compliant yards or yards in the process of certification for HKC-compliance.

ASA SNEC 34th Interim Meeting, 26 March 2018, Singapore

The ASA SNEC reported that at the latest session of the IMO Sub-Committee on Pollution Prevention and Resource (PPR5) on 5 & 6 February 2018, PPR5 agreed to move forward on the prohibition of carriage of non-compliant fuel oil for use on board ships with the adoption of the 2020 Global Sulphur Cap. In support of this and to assist with consistent implementation, the PPR5 will develop a single set of guidelines covering all relevant aspect 2020 Sulphur Cap. Members also noted that the Ministry of Transportation and Communications of Chinese Taipei has also announced the implementation of a 0.5% sulphur limit for ships visiting their port from 1 January 2019 – one year earlier than the entry into force of the Global Sulphur Cap. On the Ballast Water Convention, Denmark and Singapore have submitted a joint paper to IMO recommending that the experience -building phase should take into consideration the technical and operational challenges facing dumb barges. This is with a view towards developing a BWM circular to provide guidance on the application of the Convention's regulations for dumb barges so as to address the practical difficulties for dumb barges to comply with the Ballast Water Convention. To protect the marine environment of seven South East Asian countries (Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Vietnam and Thailand) from shipping operation, the IMO and the Norwegian Agency for Development Cooperation (Norad) signed the Marine Environment Protection for South East Asia Seas (MEPSEAS) on 8 December 2017. Under that agreement, Norad will provide some US$2 million via contributions to IMO's Integrated Technical Cooperation Programme. Concerning piracy, the ReCAAP Annual Report for 2017 cited a 19% increase in the number of incidents compared to 2016, and that the abduction of crew and theft of oil still remains a concern. In the Sulu-Celebes Sea, there has been no report of actual incident or attempted incident since March and April 2017 respectively *(elinks to ReCAAP ISC Single-Sheet Summary and Annual Report for 2017 are provided below)*. To counter the piracy threat in East Africa/Red Sea the European Union Naval Force (EUNAVFOR) and Combined Maritime Forces (CMF) have developed the Industry Releasable Threat Assessment (IRTA) and published the Industry Releasable Threat Bulletin (IRTB). The IRTB advised that piracy has been suppressed but not eradicated, and that it is likely that criminal pirate networks will continue to seek opportunistic targets when weather condition are favourable. Members are requested to consider using risk assessment and the bulletin, and to circulate them on a confidential basis for information to assist in assessing voyage risk through the region, stressing that at the request of EUNAVFOR and CMF, the information should not be distributed further.

ReCAAP ISC Single-Sheet Summary for Annual Report 2017:
http://www.recaap.org/resources/ck/files/reports/2017/12/ReCAAP%20ISC%20Single-sheet%20Summary%20for%20Annual%20Report%202017.pdf

ReCAAP ISC Annual Report 2017:
http://www.recaap.org/resources/ck/files/reports/2018/01/ReCAAP%20ISC%20Annual%20Report%202017.pdf

ASA SPC, Tokyo, 15 March 2018

DEVELOPMENTS OF INTERNATIONAL MARITIME POLICY

Simon Bennett, Deputy Secretary General, ICS

ICS is delighted to participate in the ASA SPC, and we were pleased that Captain Ang was able to join us at the ICS Shipping Policy Committee meeting in London last month, as well being present at the ICS Board.

For the next 20 minutes or so, I will run through the major issues which could have implications for the global shipping industry. Apart from threats of protectionism – which JSA will expand upon in more detail – this includes the possibilities for market distortion that could be created by new environmental regulations: the 2020 global sulphur cap, and the possibility of IMO proceeding with the development of a Market Based Measure for CO_2 reduction. There are also the dangers created by unilateral approaches to environmental regulation within the EU. I will also make a few remarks on some competition policy developments and shipbuilding policy.

However, there are some other dark clouds on the horizon, and fresh uncertainty was added a few days ago with the announcement by President Trump of his intention to impose tariffs on steel and aluminium imports. And – in response to immediate threats by the EU and China to apply retaliatory measures – his suggestion that these might be extended to automobile imports too. Whether this war of words will develop into a genuine trade war, which could have damaging impacts on shipping markets, remains to be seen. Hopefully the view that trade is a zero sum game will simply turn out to be political rhetoric and saner voices will prevail in the U.S. Administration. However, it now seems that President Trump may be about to proceed via an Executive Order within the next few days, despite opposition from the Republican Party in Congress.

What is disturbing, however, is that – regardless of whether or not U.S. complaints about the low cost of Chinese steel are justified – President Trump now appears to want to launch a trade war with all of the United States' trading partners – Canada and Mexico excluded - presumably in order to distract from his many other political difficulties.

But without U.S. engagement, it seems clear that any possibility of making further progress on a long awaited multilateral trade deal at the World Trade Organization is now on hold for the foreseeable future. This also applies to the related Trade in Services (TISA) Agreement, which a smaller group of governments has been trying to negotiate in Geneva for the past few years. While this is a setback for global trade in general terms, this also makes shipping especially vulnerable because it means that the specific trade commitments that governments have made with respect to maritime services at the WTO still remain uncodified at the global level, and the free trade practices that we enjoy in shipping are dependent upon bilateral agreements.

More positively, despite the withdrawal of the United States from the Trans Pacific Partnership (TPP), the other 11 participating nations have now agreed to proceed having signed an agreement in Chile last week. – which the United Kingdom, preparing for Brexit, has also indicated an interest in joining.
But the background music in support of the maintenance of free trade principles is not good. As JSA will elaborate upon in a moment, we face a number of threats to market access in the United States, Russia and Indonesia. In the US there are is still talk in Congress of introducing some kind of cargo reservation for US energy exports, both for LNG and crude exports.

A year ago, Democrat Congressman John Garamendi introduced 'The Energizing American Maritime Act' proposing new legislation which would require 30% of all American exports of crude oil and LNG to be transported on U.S. flag vessels by the year 2025, with 15% to be carried on U.S. flag ships by 2020.

Energy security is a very sensitive political issue in the United States, and there are vested interests, especially in the U.S. shipbuilding industry, as well as the seafarers' unions, which are seeking to link concerns about jobs and defence to the growth in energy exports being carried on non-U.S. ships, especially in view of concerns about the decline of the US flag fleet engaged in international trades which is now pitifully small.

Similar proposals have been made in recent years but these were watered down following interventions by the State Department and the office of the U.S. Trade Representative, which were conscious of the United States' free trade commitments in the context of ongoing negotiations at the World Trade Organization about maritime services. However, in view of President Trump's recent anti free trade statements, this latest attempt at cargo reservation could possibly gain more traction. And the very unpredictability of the Trump Administration means that anything is potentially possible.

Moving on to Russia, the Russian Parliament has now adopted changes to its cabotage regulations. This includes provisions for oil, natural gas and coal produced in Russian territory to be transported exclusively by Russian flag ships to the first point of unloading or transhipment, although these particular provisions will not come into force until 2019. It is understood that first 'point of unloading or transhipment' means a point within Russian territory – although this is still to be confirmed. If this is indeed the case, the measure should not therefore impact directly on international voyages and would seem to be consistent with maritime free trade principles. It is also understood that the measure is principally aimed at encouraging Russian owned ships to return from open registers to the Russian flag, which lost large numbers of ships following the collapse of the Soviet Union. However, there is nevertheless a protectionist undercurrent to the new Russian regulations which hints that we are moving into a new atmosphere when it comes to the automatic acceptance of the concept that free trade is good.

With regard to Indonesia, I will leave this to JSA to explain the detail about the proposed decree that would reserve the carriage of coal exports, palm oil exports and rice imports to Indonesian vessels, which would appear to be an instance of blatant protectionism. To be clear we are talking about international trades rather than cabotage, and at the request of ICS members we have written to the Indonesian Government to express our concerns, as has the Consultative Shipping Group of maritime administrations – the CSG – which is the diplomatic grouping of governments committed to free trade principles in shipping, which includes Japan, Korea and Singapore as well as many European governments.

However, there are other issues that will impact the carrier industry in the near future. As everyone will be aware, the IMO global sulphur cap will be implemented and enforced from 1 January 2020 – the requirement to use fuel with a sulphur content of 0.5% or less outside Emission Control Areas. There is no reason to think that there will be anything other than full compliance by the vast majority of shipping companies. But in view of the huge sums of money involved, this has generated speculation about the potential for non-compliance and the possibility of unfair competition and market distortion.

In November 2017, in conjunction with other industry associations, ICS therefore made an important submission to IMO which proposed a ban on the carriage of non-compliant fuels when the global cap is implemented in January 2020. The intention is to help ensure that the IMO sulphur cap will indeed be successfully implemented worldwide, providing governments with a valuable additional tool to verify full compliance.

In theory, in the margins of the industry, a ship registered with a flag state that is not a party to MARPOL Annex VI and which trades to a port located in another non-party, could potentially have evaded compliance. But with the carriage ban proposed by the industry, any such ship can now be inspected for compliance as soon as it enters the majority of Port States which are signatories to the global cap. These Port States can then apply the IMO principle of 'no more favourable treatment', whereby compliance can still be checked even if the flag state has not yet ratified Annex VI. Data about any non-compliance will be then be published by regional PSC authorities, exposing the vessel to further targeted inspections and reducing the ship's ability to secure future charters.

This industry submission, which was also supported by a wide cross-section of environmental NGOs, was considered by an IMO Sub Committee in February. Encouragingly, the industry proposal was accepted in principle by IMO Member States, with a new amendment to MARPOL scheduled to be adopted for entry into force by April 2020.

Although it is impossible to predict with certainty what will happen in 2020, there seems to be growing consensus within the bunker industry that sufficient quantities of compliant fuels will be available, although they are likely to be expensive. While the industry is committed to full and immediate implementation, there could possibly be an initial period of 'teething problems' when compliant fuel might not always be available in every port until it can be shipped in from elsewhere.

This is more likely to be a problem for ships in tramp trades which call at many more port destinations which are not always known in advance. But if 0.5% sulphur fuel is not available in every port worldwide, ships will still be required to use other compliant fuels such as 0.1% distillate.

The other big game changer is new IMO regulation to address CO_2 emissions. In April 2018, IMO is scheduled to adopt its initial strategy for the further reduction of CO_2 by the sector, in order to match the ambition of the Paris Agreement on Climate Change. The strategy is expected to include a list of potential candidate measures for further consideration. Most controversially, this list is expected to include further consideration of possible Market Based Measures.

The current position of ICS, which is shared by BIMCO, Intertanko and Intercargo, is as follows:
We remain deeply sceptical of MBMs as a means of further incentivising CO_2 reduction. Fuel is already by far the largest cost for shipowners and this is expected to increase dramatically as a result of the global IMO sulphur cap which will take effect in 2020. Shipowners already have all the incentive they need to explore every possible means of reducing their CO_2 emissions through technical and operational measures alone, as demonstrated by the impressive fuel efficiency improvements achieved since 2008.

However in the event that IMO decides to develop an MBM, the clear preference of the global industry would be for a bunker fuel levy payable to some kind of IMO climate fund, with some of the funds deployed to support research into new low carbon technologies or to support the roll-out of the expensive new bunkering infrastructure that will be required to supply zero-CO_2 fuels, particularly in the ports of developing nations.

If IMO decides that an MBM is politically necessary, ICS believes that a fuel levy would be the mechanism least likely to cause serious market distortion, as opposed to some kind of emissions trading system (ETS), something to which the industry is completely opposed.

ICS has therefore welcomed the decision by the European Union, in November 2017, not to incorporate international shipping into the existing EU ETS. However, this EU decision does not take the pressure off IMO. Unless IMO develops its own MBM, the EU has made clear that it will go ahead with a regional MBM, creating a serious danger of market distortion.

Despite continuing doubts about the desirability of an MBM, ICS Members are political realists and have therefore been involved in intensive discussions, for the past two years, about how a fuel levy system might conceivably work in practice, so that ICS will be in a position to come forward with detailed ideas, for discussion with IMO Member States, should this turn out to be necessary. However, we are unlikely to come forward in public with these ideas until IMO actually starts discussing the possibility of MBMs in detail, which might not be until sometime next year.

Meanwhile, the EU continues to proceed with regional regulation on CO_2 at variance to what has already been agreed by IMO.

In 2016, IMO adopted its global CO_2 Data Collection System under which data collected from individual ships will remain anonymous. However the EU is still pressing ahead with its own regional MRV regulation whereby all ships trading to EU ports, including ships flying the flag of non-EU nations, must submit data to the European Commission.

Of greatest concern is that is that commercially sensitive information will be published annually by the European Commission, along with ship name and company identifiers. This is with the intention of facilitating comparison of the supposed operational efficiency of individual ships – which is very likely to be inaccurate and very different to the actual fuel efficiency or CO_2 emitted in real life. In short, the EU Regulation contains many of the elements which most IMO Member States have chosen to reject when adopting the global system.

In November last year, ICS submitted comments to a European Commission consultation on the possible alignment of the existing EU Regulation with the IMO Regulation. But in reality, it appears that the European Commission has no intention of recommending full alignment. Rather it is simply trying to identify what changes are necessary to make the EU regime compatible with the IMO system.
The European Commission will publish its final proposals later this year. Unpalatable as this might be, this will probably then require an acceptance of the political reality that there will be two different reporting systems. However, ICS will continue to maintain its strong objection to the publication by the Commission of individual ship data, including data relating to fuel consumption which under the IMO system will remain anonymous – the purpose of the IMO DCS to inform policy making rather than penalise or reward individual ships.

I will now report a little on competition law developments, the ICS approach being to maintain the status quo with respect to the exemptions which the industry continues to enjoy.

In conjunction with WSC and ECSA, we will soon be preparing for a European Commission consultation on the renewal of its block exemption for liner consortia, something which it undertakes every 5 years. However, the indications are that maintaining the block exemption may be more difficult this time, and the shippers' organisations are keen to oppose any renewal, arguing that recent mergers between shipping lines have changed the situation.

You should also be aware the United Nations Conference on Trade and Development (UNCTAD) – whose mandate is to serve the interests of developing nations – has also become involved in competition issues, claiming that recent mergers in liner trades have reduced the access to shipping services enjoyed by developing nations.

In particular, analysis UNCTAD has conducted into 'port pairs' suggests a possible decline in the number of direct services between individual ports, particularly in 'north-south' trades, and a reduction of competition on routes between individual ports, which may be restricted to one alliance or even to a single carrier. Controversially, UNCTAD has suggested that maritime competition authorities may therefore need to review the regulatory regimes which currently apply to liner shipping. UNCTAD will be holding a meeting on these issues in Geneva this July.

My final remark concerns shipbuilding policies. National state subsidies to encourage early ship recycling might have superficial attractions but they risk distorting global markets, and can be counterproductive if they are conditional on the recipients ordering more tonnage at national yards. More positively, however, the OECD Working Party on Shipbuilding has now decided in principle to have another attempt at negotiating a new agreement on shipbuilding, in order to remove subsidies and market distorting measures. However, much will depend on whether China will be willing to participate in these negotiations.

I hope that was of interest and look forward to questions or discussion.

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ASA SRC 21st Interim Meeting, 23 March 2018, Taipei

The ASA Newsletter is published by the ASA Secretariat.

The Asian Shipowners' Forum (ASF) was founded in April 1992 when its first meeting was held at the Japan Shipping Club in Tokyo. One of the most important shipping organizations in the world, the ASF consists of eight members from the Shipowners' associations of Asia Pacific nations, i.e. Australia, China, Hong Kong, India, Japan, Korea, Chinese Taipei and Federation of ASEAN Shipowners' Associations (FASA), consisting of Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Collectively, the ASF membership is estimated to control about 50% of the world merchant fleet.

Following the principle agreed at the first ASF meeting, the venues for the annual meetings of the ASF have been conducted on a rotational basis by the members from the North to South in geographical order.

Five Standing Committees are formed in the ASF and each is headed by a nominated chairman. They are the Seafarers Committee (SC), Shipping Economics Review Committee (SERC), Ship Insurance & Liability Committee (SILC), Safe Navigation & Environment Committee (SNEC) and Ship Recycling committee (SRC). The work is basically done between the annual ASF meetings, with each committee being committed to convene at least one meeting a year.

To better reflect the work and progress of its members and committees, it was proposed at the 18th ASF Chairmen's meeting held in Beijing, China, on 19th October 2015 to have its name changed to Asian Shipowners' Association (ASA). Subsequently at the 25th ASF AGM, it was officially declared the change of name from ASF to ASA. The name change does not alter the values and objectives that it delivers but will continue to further enhance the work done by the Association. The Association will continue to use the abbreviated name of "ASA".