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10 Anson Road #29-06A International Plaza Singapore 079903 | 6990 4270



MEPC 81 : A positive step towards reducing GHG emissions

by Saunak Rai, FICS

The 81st session of the International Maritime Organization's (IMO) Marine Environment Protection Committee (MEPC 81) was held from March 18 to 22, 2024. The meeting centered on discussions and decisions regarding greenhouse gas (GHG) emissions reduction from ships. MEPC made progress on several key issues related to greenhouse gas (GHG) emissions from ships. These included:

- Adoption of amendments to MARPOL Annex VI
- Approval of life cycle assessment (LCA) guidelines for marine fuels
- Agreement on an IMO net-zero framework for proposals such as the economic pricing mechanism. These measures aim to achieve the ambitious targets set out in the 2023 IMO GHG Strategy, which calls for net-zero GHG emissions from international shipping by or around 2050.

A significant outcome for LNG as a marine fuel was the agreement on expanding data required under MARPOL Annex VI.

(cont'd at page 2)

IN THIS ISSUE

NAVIGATING THE JARGON OF ENVIRONMENTAL TERMS OF MARITIME INDUSTRY

page 3

OF SWITCH BILLS OF LADING

page 6

EDITORIAL

page 7

This includes data on methane slip, a key metric for assessing the environmental impact of LNG fuel. This will allow for a more thorough assessment of LNG's lifecycle GHG emissions and its role in achieving the IMO's GHG reduction targets.

While MEPC 81 did not reach final decisions on specific mid-term measures to reduce GHG emissions, the committee did recognize the potential of LNG as a lower-carbon alternative to conventional marine fuels. This recognition is a positive step for the LNG industry, as it highlights the role LNG can play in achieving emission reduction goals.

LNG offers several advantages as a marine fuel. It produces fewer Sulfur oxides (SO_x) and nitrogen oxides (NO_x) emissions compared to conventional fuels. Additionally, LNG can help reduce particulate matter emissions. These factors can significantly improve air quality, particularly in port cities and coastal areas.



Photo credit: FueLNG

However, there are also challenges associated with LNG as a marine fuel. One key challenge is methane slip, which occurs when unburned methane escapes from the engine during combustion. Methane is a potent greenhouse gas, and even small amounts of methane slip can negate the environmental benefits of LNG fuel.

The IMO's focus on collecting data on methane slip is a positive step towards addressing this challenge. By better understanding the extent of methane slip from LNG engines, researchers and industry can develop technologies and practices to minimize it.

Overall, the MEPC 81 meeting provided some positive developments for LNG as a marine fuel. The recognition of LNG's potential and the focus on methane slip data collection are encouraging signs for the future of LNG in maritime shipping.

About the Author



Mr Saunak Rai is the General Manager of "FueLNG", Chairman of the National Technical Committee for Bunkering (Cryogenic and Gaseous Fuels). He led FueLNG to win the World LNG Award 2021 for Outstanding Contribution to LNG Industry at World LNG Award in Rome in Dec 2021.

Navigating the Jargon of Environmental Terms of Maritime Industry

by Capt. Vinod Dubey, FICS

The global shipping industry is setting its sights on a greener future, aiming for a zero-harm approach to the environment. To better understand this green journey, let's demystify some of the complex terms that have a significant impact on the maritime sector. This article also shed light on the impact of these in commercial shipping.

IMO GHG Strategy

In 2018, the maritime industry was responsible for emitting roughly 1 million tonnes of carbon dioxide (CO₂), which accounts for about 3% of all global greenhouse gas (GHG) emissions. In response to this environmental concern, the International Maritime Organization (IMO) put forward an initial strategy in 2018 to reduce GHG emissions from ships. In 2023, they revised and strengthened this strategy.

The key points of the IMO's 2023 Revised GHG Strategy for international shipping are:

- 1.Reduction in Carbon Intensity:** Ships should aim to reduce their carbon intensity by at least 40% by 2030 compared to 2008 levels.
- 2.Zero GHG Emission Fuel Uptake:** At least 5% of the energy used by ships should come from zero GHG emission fuels by 2030.
- 3.Annual GHG Emissions Reduction:** Aiming to reduce total annual GHG emissions by 20% by 2030, 70% by 2040, and ultimately achieve net-zero emissions by 2050.

Regulatory Framework to Achieve the Targets

Now, let's break down the regulatory tools that help achieve these ambitious goals:

- 1.Energy Efficiency Design Index (EEDI):** This applies to ships built after 2013 and focuses on designing and building new ships to be more energy efficient. Ships receive an EEDI certification to indicate their efficiency.
- 2.Energy Efficiency Existing Vessel Index (EVDI):** EVDI is for ships built before 2013 and measures a ship's theoretical CO₂ emissions per tonne/nautical mile traveled. It is used by RightShip platform.
- 3.Energy Efficiency Existing Ship Index (EEXI):** EEXI, owned by the IMO, is based on the EEDI methodology and calculates a ship's energy efficiency. Vessels built before 2013 need approved EEXI certification, which involves reducing carbon emissions through power limiters. However, this may lead to slower vessel speeds and create a two-tier market, with eco-fuel ships in higher demand.
- 4.Ship Energy Efficiency Management Plan (SEEMP):** This tool helps shipowners manage their environmental performance and operational efficiency.
- 5.IMO Data Collection System:** Effective since January 2019, this system requires ships to collect and report data on their fuel consumption and CO₂ emissions annually. The data is essential for future emissions reduction efforts.
- 6.Carbon Intensity Indicator (CII):** The CII is the IMO's rating system (A-E) that measures how efficiently a ship transports goods or passengers. It's expressed in grams of CO₂ per cargo-carrying capacity and nautical mile. A rating of "D" for consecutive years requires corrective action, encouraging ships to maintain at least a "C" rating.
- 7.GHG Rating:** This Green House Gas rating, is a proprietary system by RightShip. It uses data from EEXI, EVDI, or EVDI to rate vessels from A to G based on their theoretical CO₂ emissions. Many cargo owners and charterers

(cont'd at page 4)

prefer ships with GHG ratings between A and D. Ships with more efficient engines generally receive higher ratings.

8. **EUMRV - European Union Maritime Monitoring, Reporting, and Verification:** This system, active since July 2015, monitors and verifies carbon dioxide emissions from ships arriving at, departing from, or within EU and European Economic Area ports.
9. **Carbon Credits (EU-ETS):** This is a "cap and trade" system where companies can buy and sell emission rights within a geographic area to limit specified pollutants. As of February 2023, the price of carbon in the EU ETS has exceeded 100 euros per metric ton of CO₂. To put this in perspective, one metric ton of very low sulfur fuel oil (VLSFO) consumption translates to 3 metric tons of CO₂ emissions. So, a ship consuming 25 metric tons of VLSFO per day generates 75 metric tons of CO₂, which would cost about 7,500 euros or approximately USD 8,200. Though the declaration and maintenance of credit is responsibility of shipowner, the cost for carbon credit is related to trading of vessel and hence, will be on Charterers as long as Owners have this included in Charter party contract.

Impact on Commercial Shipping :

Any regulation impacting speed & consumption of vessel is sure to have a wide range of commercial & legal implications. The first question raised is, who between owners & charterers will bear the cost and responsibility of complying with EEXI and CII. This is all the more the important when 2023 is the year of transition for compliance to these rules. To address this issue, many template clauses are being prepared, one of the main ones is BIMCO's EEXI Transition Clause. BIMCO is also working on its CII clause

Basis the discussions so far, there are three points to consider:

1. EEXI compliance is primarily considered as an Owner's responsibility. The logic behind is that EEXI compliance will ensure a vessel's compliance with MARPOL, which is part and parcel of owner's seaworthiness obligations. To put in other words, the technical modifications (design related) required to comply with MARPOL regulations are ultimately owners' responsibility.
2. To comply with CII rules, vessel's operational parameters (speed, cargo qty, sailing duration, etc.) may require to be altered. Hence, CII compliance responsibility is not straightforward and much trickier than EEXI.

a) If vessel is on Time charter, the decisions by owners to slow steam, reduce cargo qty. or deviate for the sake of CII rating may put them at the risk of violation of agreed charter party and make them liable for under-performance/ damage claims.

b) If vessel is on Spot/ voyage charter, the similar decisions by owners to delay the vessel by slow steaming for the sake of CII rating may put them at the risk of breaching their obligations to proceed with due or utmost despatch. Vessel may miss out on laycan, which may result in bigger commercial loss to owners.

Hence, a clear cut allocation of cost/ responsibility between owners & charterers for compliance with CII rules will have to be worked out.

What Next ?

It is vital that the owners/ charterers devise and invest in appropriate strategy for compliance with EEXI / CII rules. Transparent and effective communication between owners and charterers regarding implementation strategy for new and existing fixtures will help them in avoiding disagreements and expensive arbitrations. New charter-party terms addressing the appropriate division of the costs and risks of compliance should be carefully drafted.

(cont'd at page 5)

In conclusion, these environmental terms and regulations in the shipping industry may seem complex, but they all share the common goal of reducing emissions and making the maritime sector more environmentally responsible. The future of shipping is greener, with a focus on efficient vessels and reducing the industry's carbon footprint in line with global climate goals.



About the Author

Capt. Vinod Dubey, FICS is a Master mariner, MBA from Cardiff Metropolitan, Commercial Operations Manager, Adhart Shipping Pte Ltd. He is a sailor by profession and writer at heart. He has published his novel "Indiyaapa" (a fictional love story of a sailor) followed by his recent poetry collection " Weekend Wali Kavita".



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27 SEP - 1 NOV (FRIDAY)

TANKER CHARTERING
26 SEP - 7 NOV (THURSDAY)

INTRODUCTION TO SHIPPING
24 SEP - 29 OCT (TUESDAY)

LEGAL PRINCIPLES IN SHIPPING BUSINESS
23 SEP - 28 OCT (MONDAY)

SHIP OPERATIONS AND MANAGEMENT
23 SEP - 28 OCT (MONDAY)



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Of Switch Bills of Lading

by Jagannath / NAU

1. The Singapore High Court recently gave a judgement on a claim centered on a Switch Bill of Lading ([The “Jeil Crystal” \[2024\] SGHC74](#)). The Claim was made under Contract, Tort and Bailment. The judgement is an illuminating read and would recommend all shipping practitioners to go through the same to understand the implications relating to Switch Bills.
2. The illuminating paras in which the various duties are listed in the judgement are:
 - i. Contractual Duty: Para 75ⁱ
 - ii. Tortious Duty: Para 80ⁱⁱ, 81ⁱⁱⁱ & 84^{iv}.
 - iii. Bailment: Para 88^v, 89^{vi} & 90^{vii}.
3. Our view is that this matter should never have been litigated. However, the fact is that when there is a big hole, parties will naturally consider options available to reduce their exposure and in which case, surrounding parties, such as the Owners in this case would also be targeted.
4. Given that the practice of issuing Switch Bills will not end, Owners/Operators must maintain the same caution as Owners/Operators had done in this case, i.e. only issue a Switch Bill once the first set has been surrendered. The practice has however been to seek a copy of the Switch Bill prior to the surrender of the first set, say for custom purposes. However, provision of even a copy of the Switch when the first set of Bills of Lading is live is fraught with dangers given that in some jurisdictions, once the manifest has been filed, it becomes difficult for the original holders to assert their rights of Ownership on the cargo. This being the case, we would recommend that Carriers revisit their standard operating procedures and only consider issuing a copy of the Switch when they have the first set in their custody.

i. To conclude this section, if there was any contractual duty on the defendant, it was to refrain from issuing the Switch BLs until and unless the First Set BLs were surrendered to and cancelled by the defendant. That duty was, if at all, owed only to (a) whoever was the lawful holder in possession of the First Set BLs as the party with rights of suit under the contract of carriage...

ii. As to the first question, it is my view that any duty of care would only have arisen at the point the Switch BLs were being issued and released. It is at that point in time that the defendant needed to ensure that it did not, by issuing the Switch BLs, act in a way detrimental or prejudicial to the rights and interests of the holders of the First Set BLs. In my judgment, it would not be fair or reasonable to hold, on the facts of this case, that the defendant was under a tortious duty of care at a point in time earlier than its contractual obligation. To hold otherwise would, in the circumstances of this case, confer upon the plaintiff a more advantageous right than would be available to it in contract - that would not be a just or reasonable outcome.

iii. As to the second question, the answer is evidently ‘no’. For one, the defendant ensured that the Switch BLs were issued and put into circulation only after the First Set BLs were surrendered and cancelled/marked “null and void...”

iv. Leaving aside the question of whether such a duty of care was indeed owed to the plaintiff as the trade financier, the pleaded duty of care is “to take reasonable care in the custody and care of the Cargo”. In my view, this refers to the physical care of the Cargo (ie, ensuring that the Cargo is not damaged or stolen). It does not suggest that the duty extends to informing the plaintiff and/or obtaining the consent of the plaintiff to the switch of the bills of lading. In my view, that is a bridge too far for the plaintiff.

v. In my view, there is no legal basis for the plaintiff’s claim in bailment. The law is clear that the duties of a bailee arise out of the voluntary assumption of possession of another’s goods: East West Corpn v DKBS AF 1912 A/S and another; Utaniko Ltd v P & O Nedlloyd BV [2003] 3 WLR 916 at [24]. The contract of carriage as evidenced by bills of lading is “a combined contract of bailment and transportation under which the shipowner undertakes to accept possession of the goods from the shipper, to carry them to their contractual destination and there to surrender possession of them to the person who, under the terms of the contract, is entitled to possession of them from the shipowners”: Barclays Bank v Commissioners of Customs and Excise [1963] 1 Lloyd’s Rep 81 at 88-89. As a general rule of bailment law, only persons to whom the bailee has attorned can enforce the bailee’s duties as such; however, “[t]he contribution of the law merchant had been to recognize the attornment as transferrable and therefore the indorsement and delivery of the bill of lading as capable of transferring the endorser’s right to the possession of the goods to the endorsee”: Borealis AB (formerly Borealis Petrokemi AB) v Stargas Limited and others [2001] 2 WLR 1118 at [18].

vi. It follows that upon the plaintiff’s endorsement and delivery of the First Set BLs to GP Global on 25 June 2020, any duty owed by the defendant qua bailee to the plaintiff had thereafter evaporated. As explained at [66]-[67] above, the plaintiff relinquished all rights and interests in the Cargo and/or the First Set BLs when it endorsed and delivered the First Set BLs to GP Global without any reservation of its rights or arrangements to remotely indicate that the plaintiff continued to retain (or wished to retain) an interest in the Cargo or the First Set BLs

vii. Accordingly, the defendant could not have breached any of its duties as bailee when it allegedly “failed to produce or account for the Cargo” to the plaintiff on 10 August 2020, that date being when the plaintiff wrote to the Master of the Vessel and the defendant to, among other things, demand that the defendant not proceed with the discharge of the Cargo without the plaintiff’s written consent (see [23] above)

Editorial

by Sridev Mookerjee, FICS

We are pleased to bring out our first quarter newsletter of the year 2024.

We are pleased to highlight that our Chairperson Ms Elaine Yu was featured in an article published in Tradewinds on 21 February 2024.



Elaine Yu, senior freight charterer at mining company South32 and chair of the Institute of Chartered Shipbrokers' Singapore branch. Photo: Jonathan Boonzaier

Breaking boys club image: Shipbroker Elaine Yu on unlocking shipping's full talent pool

Creating an inclusive environment will attract diversity, says industry body's Singapore chair

21 February 2024 2:13 GMT UPDATED 21 February 2024 2:17 GMT

We continue to cover more and more articles from the different spectrums of the shipping industry to make our Newsletter trendier. We would be glad to receive more articles from our existing and also newly elected members in order to expand the horizon of our newsletter.



Got something to share? Let us hear it!

If you've got an article, a poem, or a story that you'd like to share, here is your chance!

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10 Anson Road #29-06A International Plaza Singapore 079903

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(cont'd at page 8)

We like to once again highlight the following local benefits of renewing your membership and inspire other eligible candidates to take membership of this prestigious shipping and maritime institute.



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In closing, I like to extend my special thanks to Capt. Vinod Dubey, Mr Saunak Rai, and Mr Jagannath Muthu for contributing their articles to this newsletter.