

UNCTAD Calls for Bold Global Action to Decarbonize Shipping and Ensure a Just Transition

By Julia Swales

THE NEED FOR NEW THINKING ...

The over-riding ethos of the Foundation for Future Supply Chain is that solutions can only be developed through an approach which addresses the needs of people, profit and the planet.

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Julia Swales was formerly Head of Publishing at Kogan Page, London, specialising in commissioning logistics books for academic and professional markets. She researched hot topics in supply chain and logistics, grew a large network and sourced authors for over 100 books. Julia is now Senior Editor for Ti and Advisory Board Manager for the Foundation for Future Supply Chain.

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Foundation for Future Supply Chain Advisory Board Manager, Julia Swales, was at the launch and [press conference](#) of the **UNCTAD Review of Maritime Transport 2023** at the IMO headquarters, the first ever to be held in London.

The speakers were UNCTAD Secretary General Rebeca Grynspan, Director Shamika Sirimanne, together with IMO Secretary Kitak Lim. Arsenio Antonio Dominguez Velasco (Republic of Panama), who has been elected as Secretary-General of IMO, with effect from 1 January 2024, was also there, and our Foundation for Future Supply Chain advisory board member, Jan Hoffmann, Head, Trade Logistics Branch, Division on Technology and Logistics, UNCTAD.

Rebeca Grynspan

The maritime transport system is the life blood of world trade – delivering 80% of global trade by volume – and it contributes to about 3% of global greenhouse gas emissions. There is an urgent need to modernise. There was a 0.4% contraction of total maritime trade rates in 2022, then a 2.4% growth in 2023, with the container sector expected to expand more than 3% a year between 2022-28.

There have been shifting trade patterns, with grain and oil shipments travelling on average the longest distances on record last year. Companies have been forced to use different routes, in times of disruption.

Message 1: There is resilience but caution in maritime transport.

There is a push for cleaner fuels for a more sustainable maritime future. The growth of trade has of course resulted in a growth of emissions. There is a call for global action to decarbonise shipping, but it isn't easy and there is cost involved, of around €28bn. There is also the cost of infrastructure. We must be mindful of these costs and aware of distribution effects. The small island states or countries that heavily rely on maritime transport need to be taken into account, as they are often developing economies.

In 2021 it was estimated that shipping contributed to global inflation by 1.5% points, the island states are higher.

Furthermore, due to the war in Ukraine, 50% of all food price increases were due to a rise in related shipping costs. There is a risk that a rise in costs will affect places we most need to help, like the island states. 99% of global fleets still rely on alternative fuels. System wide involvement is needed to make alternative fuels more competitive.

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Message 2: The global fleet of ships is aging, in 2023, commercial ships are on average 22.2 years old, and more than half are over 15 years old. This should give a push towards building more sustainable ships, but ship owners lack clarity. Port terminals face similar challenges in vital investment decisions.

Message 3: Digital technologies are necessities, due to growing compliance costs. Importers will have to pay more for carbon intensive goods entering the European union, as the Carbon Border Adjustment Mechanism goes online. But most of the administrative costs will be borne by the border agencies, who will have to report carbon emissions for products using CBAM certificates. Paperwork is going to be significant if we don't go digital.

In 2024, the IMO will introduce a significant development in port infrastructure with the mandatory implementation of Maritime Electronic Single Windows. This will have far-reaching implications, requiring coordination amongst port agencies.

In July 2023, the new legislation in the UK giving electronic trade documents, including electronic equivalents to negotiable bills of lading, the same legal recognition as paper-based documents – this is a major step forward.

This report is a call to action, which far outweighs investments needed. It aims to pave the way for more efficient and sustainable shipping which will have long lasting impact on the planet. Together we need to chart a course, leading to lasting change.

Shamika Sirimann

It was a terrible 2022, with 2.4% growth expected in 2023 and 2% growth for the next few years, less than the 3% trend growth for decades. The pressures are horizontal and vertical, related to e-commerce and the energy transition.

Hydrodynamics, carbon capture and storage are the big themes. The largest potential is in the fuel switch to lower CO₂ emissions. Methanol and ammonia are the primary fuels to switch to, but other investments are also needed, for example, for port cargo handling equipment and new terminals.

We need to avoid a two speed decarbonization shipping landscape. Developing countries have a special need for assistance, as economic elements and levies make alternative fuels more competitive. More vulnerable countries need to be supported along the way.

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Q&A

TradeWinds: *Who pays for the decarbonization transition in shipping? Where does the money come from?*

Kitak Lim

It will be progressive development with the IMO, it's a multifaceted task, they have timelines set – strategy by 2025, implemented by 2027. There is investment from the public and private sector – mainly the private sector, subject to the IMO regulations.

Rebeca Grynspan

It will have to be public/private partnership. This is already happening in port infrastructure. We need to go in right direction and take action now to adapt investments to new horizons and regulatory frameworks. Short- and long-term planning need to start at the same time, based on decisions from the IMO. There is also a call for public funds to be made available. We need a multilateral effort to take the shipping sector into account, with a call from UN to scale up the effort for the investments we need for transformation –and help from the World Bank and regional development banks.

UNCTAD works with many ports, particularly developing country ports, which are keen to be on the decarbonisation journey. They want to be in the game, and part of green corridors, they want them to be inclusive, but investment is needed.

AFP: *What about the fragility of maritime routes, such as the Suez Canal and Panama?*

Antonio Dominguez Velasco

Panama Canal officials are working on plans to safeguard the water supply with new reservoirs. With a growing population and increasing trade, they are trying to reduce disruption as much as possible. They are still waiting for 2023 data. New climate conditions have to be adapted to as well. One of the big discussions in COP28 was adaption funds. Private investments are needed. Developing countries have been pushing for adaption funds for necessary investments, but they need multi-stakeholder dialogue and consensus to do this.

Lloyds List: *Trade trends – near shoring is happening, to reduce risk in global supply chains. We can see this in Mexico and Vietnam, with investments for near shoring. Africa is the best*

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example of a continental trade area. Is diversification of resources enough for more resilience in global supply chains? The longer distances travelled are mainly because of disruptions in the black sea and the war in Ukraine. It's the geopolitical issues that we should take into account, not just supply chain issues. There may be a reversal of positive trends we had last year.

Marine Fuels Alliance: *The worry is that only the bigger ports will take on this role of decarbonisation. Developing countries will be left on one side. Main ports have become much more efficient. There is already a widening gap. It is more costly for certain countries to get into the mainstream of trade. The main focus will probably be on ports with the most activity. Trade is the life blood of many developing countries, but they are keen to make the change and to be on green corridors. Intra-regional shipping in Asia has increased – a lot of reshoring is happening in that region.*

Jan Hoffman

Singapore and Rotterdam are the main ports going through the transition. In future, ports will have to provide more than one fuel. As the new fuels are less energy dense, some countries are at risk of being left out, as they may find it difficult and costly to provide bunkering services for several fuels. There is potential in several Latin American countries, especially South America.

Antonio Dominguez Velasco

Several projects are being developed, there are over 20 proposals on green corridors. Chile is part of this, all information is being provided to the IMO.

Rebeca Grynspar

We just launched the Africa report. Africa has all the raw materials and critical materials, for production of solar panels etc. How can they add value to just being a commodity or raw material exporter, and be a producer in the global value chain? They have to add investments and have the right transparency in contract negotiation, to have good outcomes in the renewable energy value chain. There is also an international responsibility – only 2% of direct foreign investment is getting to Africa, so we need international finance to respond to investment needs.

The World Bank is only 1/5th of what it was in the 1960s. It is too small for the task. How do we scale up the possibility of long term? We need a change in the model to be more effective in leveraging the private sector, de-risking the investment. The international community really needs to respond to the investment needs.

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There needs to be more collaboration between shipping and the port. We need to look at the whole global supply chain.

Fathom World: *Are new vessels coming in?*

Rebeca Grynspar

Around 20% of requests for a new fleet are already taking into account the new requirements. 80% aren't. Ships are getting bigger, which already has its negative side. However, bigger ships are more efficient with better profit margins, but technology is holding this back. Container ships haven't grown for around 3 years.

Kitak Lim

We find the biggest ship owners in China and Japan – since July this year, there have been sensitive discussions and tension. Member states finally agreed to a consensus, and the shipping industry is now fully supportive. There is increased confidence that industry will participate.

In conclusion, UNCTAD's call for a just and equitable transition to a low- and zero-carbon future in global shipping serves as a call for system-wide commitment and regulatory action to combat the escalating environmental challenges faced by the maritime sector. Bold and timely action and collaborative efforts are essential to ensure a sustainable, resilient and prosperous future for maritime transport.

ABOUT

About the Foundation for Future Supply Chain

Established in 2021, the Foundation for Future Supply Chain is a not for profit organization dedicated to improving the understanding of some of the industry's most pressing challenges.

The Foundation provides governments, inter-governmental organizations, NGOs and business leaders with an independent source of thought leadership, addressing and advising on critical policy issues such as sustainability and ethics; security and risk; innovation and disruption; future mobility and automation.

About Ti

Ti Insight is a leading market research and analysis company which for 20 years has provided products and services to the logistics and supply chain industry including market reports; its own unique Global Supply Chain Intelligence (GSCi) online knowledge platform; consulting; training, conferences and webinars.

Ti has acted as advisors to the World Economic Forum, World Bank, UN and European Commission as well as providing expert analysis to governments, manufacturers, retailers, banks, consultancies, shipping lines and logistics service providers.

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