

HIGHLIGHTS:

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CMH SPOTLIGHT

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Salvage And Marine Insurance 1989 Convention, SCOPIC Clause

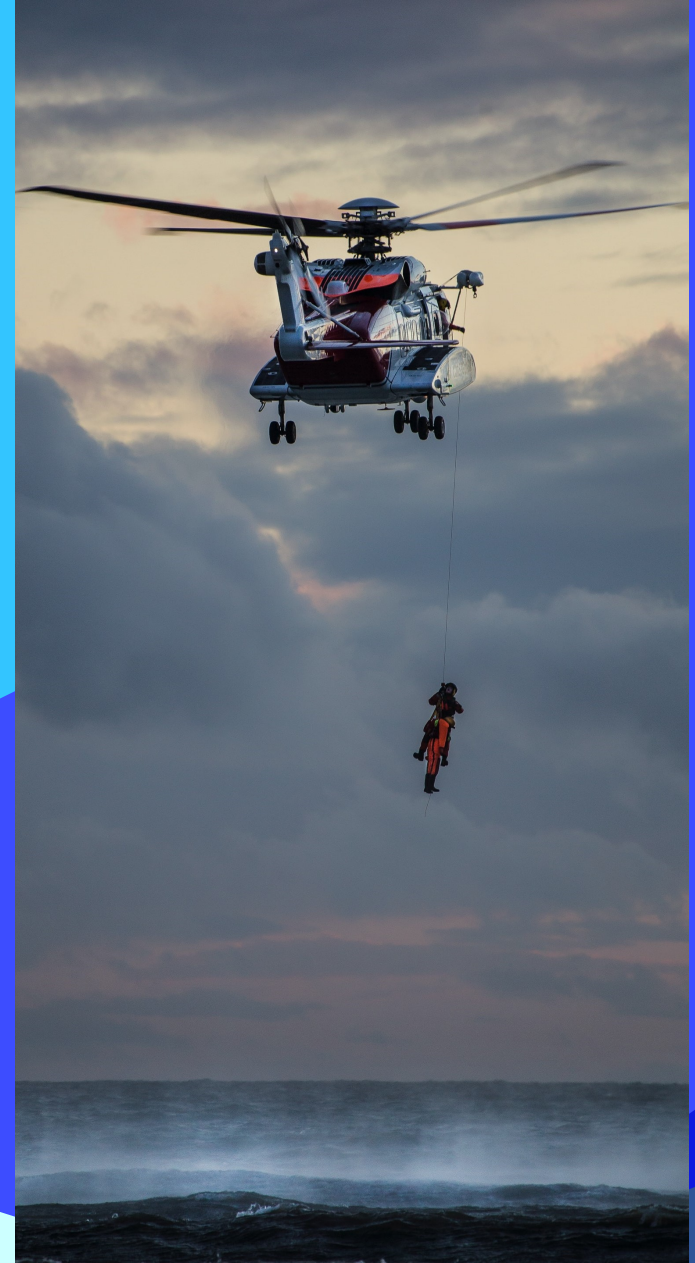
On 2nd July 2022, while typhoon “Chaba” lashed southern China, we heard the tragic news that an engineering vessel “Fujing 001”, with 30 crewmembers on board, sank some 300 kilometers southwest of Hong Kong. Hong Kong's Government Flying Service and Guangdong Maritime Search and Rescue Center were involved in life salvage.

With the modern technology today available on the ships and on shore, accidents still occur from time to time that necessitate salvage. This article will dive into the topic of salvage, by looking at a few perspectives such as international legal framework, property / life salvage, conventional salvage remuneration, special compensation and marine insurance.

Salvage And Marine Insurance – the International Convention On Salvage 1989

International Convention on Salvage 1989 (known as ‘1989 Convention’) came into force internationally in 1996, and a large number of countries - including China (and its Hong Kong SAR), UK, US, Australia, Norway, have ratified it. At a glance of this 1989 Convention:-

- A salvage operation is any act or activity undertaken to assist a vessel or any other property (including freight at risk during the voyage) in danger in navigable waters or in any other waters whatsoever.
- The 1989 Convention does not apply to:-
 - salvaging the fixed / floating platforms or drilling units while they are engaged in exploiting undersea mineral resources;
 - warships or other state-owned vessels.
- For contractual salvage, the parties may by contract rule out the application of the convention, except those provisions relating to duties to prevent or minimize damage to the environment and those contracts which are the result of undue influence or duress.
- As provided in article 6, the ship master or the shipowners shall have the authority to conclude contracts for salvage on behalf of not only the vessel but also the owners of the property on board the vessel.
- The article 12 of the 1989 Convention sets out the condition for a salvage award is that the salvage operations achieve a useful result. In other words, the principle of “no cure, no pay” applies.



Salvage And Marine Insurance – the International Convention On Salvage 1989 (Cont'd)

- The article 13 of the convention provides the criteria or consideration to be taken into account for fixing the reward (referred to as “Article 13 award”), including the skill and efforts of the salvors in preventing or minimizing damage to the environment and in life salvage. Under this article 13, the rewards (excluding interest and costs) shall not exceed the salvaged value of the vessel and other property which shall be calculated after the salvage operations are complete.
- Article 14 provides the one and only exception to the principle of “no cure, no pay” by allowing a “special compensation” (referred to as “Article 14 award”) to salvors when the salvors make efforts to prevent or minimize damage to the environment AND where the value of the salvaged property is inadequate to compensate the salvor for their efforts. In practice:
 - Where salvors fail to salvage any property (so they cannot receive any Article 13 award), and they have made efforts to prevent or minimize the damage to the environment, though unsuccessful, the salvors can be entitled to receive their out-of-pocket expenses reasonably incurred and a fair rate for equipment and personnel by way of special compensation.
 - Where the salvage has prevented or minimized damage to the environment, the special compensation can be increased by up to 30% of the expenses incurred by the salvors, or by 100% if the tribunal deems it fair and just to do so.
 - Where the value of the salvaged property is not enough to support the whole amount that can be awarded for protection of the environment, the tribunal is free to make two awards: one against all property salvaged for Article 13 award, and the other one against the shipowner for Article 14 award.

Salvage And Marine Insurance – the International Convention On Salvage 1989 (Cont'd)



- Article 16 of 1989 Convention is relating to life salvage. If life is saved together with property, this can serve to increase the remuneration that is payable by the owners of the properties salvaged. However, salvage remuneration is not payable for the saving of life at sea in circumstances where no property is salvaged. Nevertheless, in some countries, life salvage can be rewarded by national laws or other parties.

1989 Convention – Other Comments

- Unlike the conventional Article 13 award which is contributed by all salvaged interests, Article 14 award is only payable by the owner of the salvaged vessel.
- The special compensation as Article 14 award is not the SCOPIC clause (Special Compensation P&I Club Clause). This article will further discuss SCOPIC clause in next section.
- Claims by the salvors against the vessel for salvage awards or special compensation are not subject to the Convention of Limitation of Liability for Maritime Claims 1976 (LLMC 1976).
- A salvor may be liable in damages to the owners of the property if the former breaches duty of care, but the salvor may limit his liability under LLMC 1976.

Salvage And Marine Insurance – SCOPIC Clause

The 1989 Convention article 14 provides special compensation to salvors, but the clause itself does not give real guidance as to the method of calculation. The P&I Clubs were of considerable concern about the difficulty in calculating the special compensation, and the salvors were discontent with the outcome of “The Nagasaki Spirit” case which held that fair rate of equipment and personnel did not include any element of profit. Under such circumstances, the market players devised a SCOPIC clause (short for ‘Special Compensation P&I Clause’) as a contractual alternative to article 14 special compensation.

- The clause is incorporated in Lloyd’s Open Form (LOF), and must be expressly invoked by the salvor’s written notice to apply it. Whether to invoke the clause is solely a matter of the salvor’s commercial judgment, regardless of whether or not there is a “threat of damage to the environment”.
- Once invoked, the clause will replace the article 14 calculation of special compensation. The salvor must not make a claim for Article 14 award, but will receive SCOPIC remuneration which includes salvor’s out-of-pocket expenses as well as a remuneration based on a schedule of tariff rates contained in SCOPIC for tugs, other craft, men and equipment. The SCOPIC remuneration amount can be uplifted by 25% as a standard bonus.
- Shall the Article 13 award amount exceed the SCOPIC remuneration, the Article 13 award will be discounted by 25% of the difference between the said Article 13 Award and the amount of SCOPIC remuneration. Other than this, SCOPIC is not intended to affect the operation of article 13 of the 1989 Convention.
- Within 2 working days of SCOPIC being invoked, the owners of the vessel shall provide the salvors a bank guarantee or P&I Club’s security (by way of P&I Club letter) in the sum of USD3 million.
- Once the SCOPIC clause has been invoked, vessel owners or the P&I Club can appoint Special Casualty Representatives (“SCR”) who are representing both ship and cargo to work and consult with the salvor, although the salvor remains in overall control of the salvage work.
- SCRs are not obliged to give evidence or opinion for the Article 13 award, hence H&M insurers or cargo insurers may consider to appoint respectively one special representative (i.e. the “Special Hull Representative” and the “Special Cargo Representative”, and collectively called the “Special Representatives”) at their own expense, even when an SCR is present.

Salvage And Marine Insurance – Hull & Machinery Insurance

- In most cases, salvage also constitutes a general average act if there is other contributory interest than the ship. Common H&M insurance such as Institute Time Clauses – Hulls and American Institute Hull Clauses explicitly provide cover for ship's proportion of salvage and general average subject to the reduction by reason of under-insurance.
- When the ship is in ballast and there is no other contributory interest, the policies usually provide an alternative basis of cover for salvage under sue and labour clause.
- Where York-Antwerp Rules since 1974 (except for York-Antwerp Rules 2004) are incorporated into the contract of affreightment, the salvage payments (Article 13 award of 1989 Convention, including any increase in the salvage award for salvor's efforts to prevent or minimize damage to the environment) shall be allowed in general average provided that the operations were carried out for the purpose of preserving the property involved in the common maritime adventure.
- Where the Article 13 award is enhanced by life salvage, there is market agreement that the life salvage factor within Article 13 award is still borne by property insurers.
- The security for an Article 13 award is usually provided by H&M and cargo insurers for their respective proportion.
- However, Article 14 award and SCOPIC remuneration are not allowed in general average; therefore such is not covered under H&M policy.
- Notably, there is a code of understanding that the fees and disbursements of the SCR under SCOPIC will be payable 50% by the property insurers (e.g. H&M and cargo underwriters), and 50% by the P&I Clubs. Should 50% of the SCR's fees and disbursements exceed the salvaged value of the ship and cargo less the Article 13 award, P&I Clubs will reimburse such excess proportion of the said SCR's fees and disbursements to the owners of the vessel.

Salvage And Marine Insurance – Protection And Indemnity Insurance

- Article 14 award under 1989 Convention and SCOPIC remuneration are only payable by Owners of the vessel, and the shipowner can generally recover it from P&I Club.
- Security for an Article 14 award and SCOPIC remuneration is usually provided by P&I Club, but such is not automatic. P&I Clubs may refuse to provide the security where the club rules are breached so as to allow the club to deny cover.
- As mentioned above, P&I Club will bear 50% of the SCR fees and disbursement.
- P&I Cover is available for the owners' liabilities to salvors who have saved or attempted to save the life of any person on or from the ship, provided that payments made in this regard are not recoverable from either the H&M underwriters or from the cargo owners or their insurers.





Guidelines

Policies

In A Nutshell



Case reading of MUR Shipping BV v Louis Dreyfus Company Suisse SA (The Tiger Shanghai) [2019] EWHC 3240

Background And Main Disputing Issue

MUR (“Charterers”) chartered the vessel “Tiger Shanghai” on an amended NYPE time charterparty dated 9 August 2016. The clause 46 of the charterparty entitled Charterers to fit and weld any additional equipment for loading cargo, subject to the Owners' and Master's approval which should not be unreasonably withheld. While loading a cement clinker cargo, the onshore loading crane was too short to reach the feeder holes, and Charterers sought to cut new feeder holes into the hatch covers by relying on clause 46. The request was refused by the Owners, and Charterers appointed a surveyor who issued a survey report on the cutting of new feeder holes (the “Survey Report”).

When Owners stated that their refusal was “final and non - negotiable”, Charterers terminated the charterparty on the ground that Owners’ unreasonable refusal is a repudiatory breach of clause 46.

Charterer commenced arbitration on 8 August 2017 for claiming the return of hire and the value of delivery bunkers, and served claim submissions nearly one year later on 2 July 2018, with the Survey Report attached, which had not been previously disclosed to Owners.

Dispute arose regarding the time bar under clause 119 of the charterparty, under which claims are time barred if not being notified to Owners in writing accompanied by all available supporting documents (whether relating to liability or quantum or both) and arbitrator appointed within 12 months from completion of charter.



Arbitration

- Owners' assertion: The Survey Report related to core issue of the liability, but as being produced later than 12 months after the completion of the charterparty, the entire claim was time barred.
- Charterer's argument: The Survey Report was privileged for purpose of arbitration preparation, and should be treated as akin to an expert report instead of a "supporting document".
- Tribunal's finding: There was no unanimous agreement on whether the Survey Report was privileged. The majority view was the Survey Report was a "supporting document", therefore the claim was time barred.

Charterer appealed to the high court against the award.

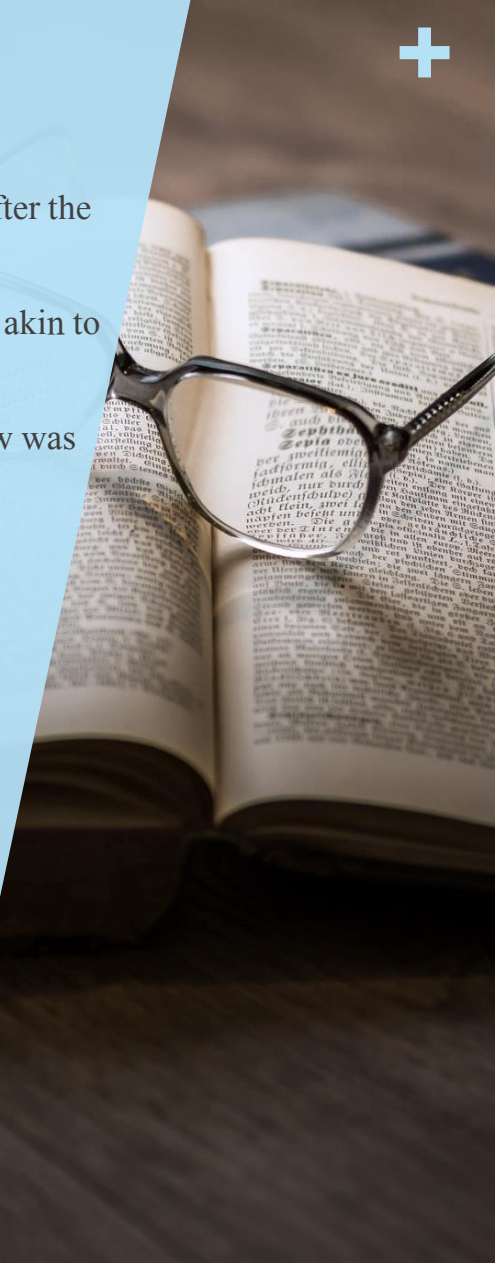
High Court Judgment

● Charterer's argument

- The Survey Report was not "supportive" since it was only relevant if Owners were arguing a case of reasonable refusal, which was not known at the commencement of the arbitration.
- The Tribunal's decision would result in time-barring claims retrospectively if relevant documents are disclosed during the course of arbitration.

● Owners' argument

- The purpose of Clause 119 was the prompt notification of claims with early provision of all relevant documents in order to maximise the chance of speedy resolution.
- Charterers' claim depended on repudiatory breach, to which the question of reasonable refusal was essential and foreseeably relevant at the beginning of the arbitration.



In A Nutshell – Disclose Documents Or Risk Time Bar (Cont'd)

● Court findings

- The actual wording of the clause must be respected, and that the word “all” indicates a fairly expansive approach to the production of supportive documents.
- The claim in fact depended on whether the Owners’ refusal to approve the new feeder holes was reasonable. In claiming that it was not reasonable, Charterers relied on the Survey Report, which was accordingly a “supporting document”.
- If a relevant supporting document emerges later in proceedings, it can cause the entire claim to be time barred according to clause 119. However, the Judge confirmed that "parties would not as a matter of common sense be debarred from making factual corrections to claims presented in time."
- If a document was arguably privileged but would otherwise be supportive under clause 119, its disclosure was still required by an “all supporting documents” time bar clause.

The Commercial Court dismissed the appeal.

Comments

- This case reminds the importance of compliance to not only the time bar, but also the document production, particularly in consideration of whether any document is supportive or relevant to the claim.
- Careful consideration should be given to the need to maintain privilege.



In A Nutshell – Withdrawal And Suspension Of Service Due To Charterers' Late / Non-Payment of Hire FAQ

1. Do Owners have a right to withdraw the vessel from the charter or to suspend service?

- Yes, where Owners have an express right in the charterparty.
- No, where there is no express right in the charterparty. Under English law, generally, Owners simply have a right to claim for hire owing plus interest on the late payments. Nevertheless, Owners may withdraw the ship or suspend service if they can establish the number of missed hire payment constitutes repudiatory breach of charterparty.

2. Is the hire actually late?

- In the absence of an express agreement, Charterers have until midnight on the due day to pay, regardless of vessel's delivery time under charter.
- The hire is deemed to be paid when Owners' bank decides to credit the account. An irrevocable instruction to the bank to pay the hire might be deemed paid once the order is received and authenticated by Owners' bank.
- If hire is due on a non-banking day, payment must be made earlier.

3. Can Owners withdraw or suspend service for late or insufficient payment?

- Yes if such is expressly agreed in charterparty.
- However, if the insufficient payment is a result of Charterers' entitlement to make deduction from hire, Owners cannot withdraw or suspend service.

4. Do Charterers have a right to deduct from hire, and how much?

- In certain circumstances, Charterers are entitled to make deductions from hire where there is i) a contractual right, ii) an off-hire event, or iii) a right of "set-off".
- If there is a right to deduct, and Charterers quantify their loss by a reasonable assessment made in good faith and deduct only the sum quantified.

5. Where there is an express right to withdraw, can Owners enforce soon as payment is late?

It depends on whether the charter contains an anti-technicality provision. If there is, Owners will have to comply with certain formalities and give Charterers a grace period before they can exercise their right to withdraw; failing which Owners will themselves be in repudiatory breach of charter and entitling Charterers either to keep the charter alive, or alternatively, to treat the charter as at an end and to claim damages against Owners for any losses caused.

6. Notice of Withdrawal

There is no particular form for notice of withdrawal. However, it must make clear that Owners are treating non-payment of hire as terminating the charter, and ensure the notice is given to Charterers.

7. Will Owners' right to withdraw the vessel be waived if they delay the withdrawal?

When the grace period expires, Owners must withdraw within a reasonable time. Failure to do so may give rise to waiver. What is a reasonable time is a question of fact.

In A Nutshell – Withdrawal And Suspension Of Service Due To Charterers' Late / Non-Payment of Hire FAQ (Cont'd)

8. Can Owners accept full late payment and then withdraw?

- The mere fact that the funds are received by the bank and being processed will not by itself constitute acceptance of the hire and waiver of Owners' right to withdraw.
- A waiver can be possibly construed against Owners if the funds are accepted "as if" the hire has been punctually paid, or the funds are retained for a long period without Owners withdrawing the vessel.

9. Can Owners keep funds received after valid withdrawal notice was served?

The retention of the funds by Owners will not of itself be taken as an affirmation of the contracts or waiver of withdrawing the vessel. If Owners seek to retain such funds, they should make clear that the funds are being retained not as hire, but as security for other damage claims under the charterparty.

10. Can Owners accept partial payment of hire and still withdraw?

If charterers make a timely but insufficient payment of hire, acceptance of that payment is unlikely to amount to a waiver by owners of their right to withdraw. Owners are reminded Q9 above and proceed to withdraw within a reasonable time.

11. Can Owners suspend performance of the vessel/her crew if Charterers are late in paying hire?

- Yes if the charterparty grants Owners to suspend service, usually after the grace period in the anti-technicality provisions expires.
- If there is cargo on board, suspension of performance may expose Owners, as generally a party to the bill of lading contract, to likely breach of obligation such as due despatch owed to cargo interests.
- If Owners do so where they do not have such a right, then Owners may themselves breach other terms of the charter (e.g. the duty to comply with charterers' lawful orders) and entitle Charterers to put the ship off-hire or give them a claim for breach of charter.

12. What if Owners withdraw the vessel while there is cargo onboard?

- If the ship is still carrying cargo, Owners still have an obligation under the contract of carriage to deliver the cargo to cargo interests.
- As the charter being terminated, all costs which were to be paid by Charterers will be on Owners' account.
- Owners may only become entitled to remuneration for those services rendered after withdrawal, or they may also have an "equitable" claim to the bill of lading freights if the vessel is withdrawn before the freights becomes due.

13. NYPE 2015

Unlike NYPE 1993, NYPE 2015 deals with Owners' right to withdraw and suspend for non-payment of hire under clause 11 where:

- Suspension of vessel performance – as soon as the hire is outstanding, Owners can suspend performance without issuing an anti-technicality notice.
- Withdrawal of vessel - Owners will have to send a notice giving 3 banking days as a grace period, which is not an "anti-technicality" notice per se.
- If Charterers failed to pay hire punctually, no matter for what reasons, they are in breach of charterparty and entitling Owners to serve the notice. Owners do not need to establish the reason for late payment of hire.
- On other NYPE versions, if there is no "repudiatory breach", Owners' only remedy is a claim for hire due at the time of withdrawal; NYPE 2015 allows Owners to seek damages for any loss suffered as a result of the early termination of the charterparty for the remaining period of the charter.

In A Nutshell – Navigating Safely Through The Seasonal Fishing Ban In Chinese Waters

Fishing Ban

- The seasonal fishing ban in China came into force on 1 May 2022 and is expected to end on 16th August 2022. The number of fishing boats is expected to increase significantly once the ban comes to an end.
- The fishing ban is enforced in the four sea areas along the coastal waters of China: the Bohai Sea, the Yellow Sea, the East China Sea and the South China Sea.

Loss Prevention Recommendation

- To prevent the accident due to higher density of fishing vessels before and after fishing ban, China MSA issued [safety guidelines](#) for Ship operators and Masters, in which there is useful advice on navigation strategy, collision prevention, and emergency rescue.
- The below recommendation are provided by P&I club to avoid incidents with fishing vessels in Chinese waters:
 - **Voyage planning:** Consider the designated fishing zones during voyage planning and mark them on navigation charts and ECDIS if possible.
 - **Bridge team composition:** Increase the bridge watch keeping level in advance to ensure that the Officer of the Watch (‘OOW’) has sufficient assistance at night and during the day. Ensure the members of the bridge team are well rested for navigation related duties.
 - **Safe speed:** When operating in areas with high fishing activity, proceed at a safe speed with engines ready for maneuvering. OOW should be empowered to adjust the speed as necessary.



In A Nutshell – Navigating Safely Through The Seasonal Fishing Ban In Chinese Waters (Cont'd)



- **Use of RADAR/ARPA:** Make full use of radar and sound fog signal when navigating in fog, even when no fishing boats are sighted on the radar. General practice of long range scanning (12-48 nm) using the S-band radar to identify clusters of fishing fleet and the X-band on small range (3-6 nm) for collision avoidance can be effective.
- **Keeping clear of clusters:** Where the OOW is able to detect a cluster of fishing boats, try to alter course well in advance to avoid it.
- **Detection and avoidance of fishing boats/nets/marks:** AIS is used on fishing boats and fishing nets/marks in Chinese waters. However, fishing boats may switch off or manipulate AIS to evade supervision. Mariners must be aware of the inherent limitations and the risk of over-reliance on AIS in bridge watchkeeping and collision avoidance.
- **Communicating with fishing boats:** As it might prove difficult to establish contact with fishing boats via VHF, use of whistle and day lamp may attract their attention when required.
- If a collision occurs or is thought to have occurred, the master and crew must render all possible assistance to the fishing vessel and contact the nearest VTS/MRCC via VHF or by calling the emergency telephone number (12395). Also, it is important to maintain all evidence, including VDR data.



Market Snapshot

Market Snapshot: Russia-Ukraine War Related News

Ukraine Ports Blockade Weakened As Russian Troops Retreat From Snake Island

- Snake Island, strategically located south of Ukraine's major Port of Odesa, was first captured by Russian army on 24th February, 2022.
- United Nation (UN) found the war has suffocated trade and logistics in the Black Sea region, which will provoke a crisis in food-import-dependent countries.
- Russian forces have withdrawn from the key outpost on Snake Island around 30th June, and Ukraine port operations could possibly resume to allow for the transport of agricultural products.

EU Allows Cargo To Flow Via Russian Port Of Kaliningrad

- Kaliningrad, a Russian exclave between Poland and Lithuania, is major transportation hub and the headquarters of the Baltic Fleet of the Russian Navy.
- EU released guidance which does not stop most non-military goods travelling by rail from reaching Kaliningrad, after weeks of discussion over which sanctions to be imposed on Russian products, the scope and intensity of Lithuania's inspection of Russian trains.
- Russia claimed Lithuania has blockaded the port, but Lithuania officials said they have correctly implemented EU sanctions and are within their right to inspect Russian trains.



Russia's LPG Exporters Open Black Sea Port of Poti

- After outbreak of the Russia-Ukraine war, Russia stopped supplying liquefied petroleum gas (LPG) to Ukraine, and also stopped LPG rail transit to Romania, Hungary and Moldova via Ukraine.
- Limited export routes resulted in a fall in Russian shipments of LPG abroad to 250,000 tonnes in May 2022 from some 370,000 tonnes per month in early 2022.
- Russian exporters started shipping supplies of LPG to Bulgaria via Georgia's Black Sea port of Poti in July as traditional export routes remain closed.
- In July, it is said that around 3,000 tonnes of LPG from Surgut was transported by rail to Georgia's Poti, and then via sea ferry to Bulgaria's Varna.

Market Snapshot: Russia-Ukraine War Related News (Cont'd)

Hellenic War Mutual In Focus As August Deadline Looms For Ukraine Marine War Claims

- Market estimated around USD800 million worth of vessels stranded in the Black Sea, and the marine war market is bracing for a potential first wave of blocking and trapping claims in August from ships stranded in the Black Sea.
- Subject to specific insurance conditions, the constructive total loss claim can be raised after 6 or 12 months from the detention of vessels. Underwriters believe 16th August is the first date that some shipowners can begin claiming under their marine war coverage for a blocking and trapping loss, i.e. 6 months after the Black Sea was first listed as a high-risk area by the Lloyd's Market Association (LMA) Joint War Committee (JWC).
- Hellenic War Mutual, a major war insurer for Greek vessels, has ships with a total value of around USD350 million stranded in the Black Sea. Hellenic is heavily reinsured in London market.
- The claim trend is yet certain, as there is increasing optimism that the ships stranded in Ukrainian waters are relatively safe, so shipowners may delay submitting a claim in the hope that they can recover their assets once ships can be fully crewed and safe navigation paths to be re-established.



Russian Missiles Hit Ukraine Port, Putting Landmark Grain Deal At Risk

- Bridged by United Nations and Turkey, Russia and Ukraine signed a landmark deal on 22nd July to reopen Ukrainian Black Sea ports for grain exports. The deal will be valid for 120 days and renewable.
- Although Ukraine has mined nearby offshore areas as part of its defenses against Russia, Ukrainian pilots would guide ships along safe channels in its territorial waters.
- The first shipments are expected to be weeks away, and a number of insurers were interested in providing cover for grain shipments from Ukraine.
- On 23rd July, one day after the grain deal signed, Russian missiles hit Ukraine's southern port of Odesa. The strike appeared to violate the terms of the grain deal, which would allow safe passage in and out of Odesa and two other Ukrainian ports.



Market Snapshot: Slow Steaming May Be Surest Way For Ageing Fleets To Meet Ever Changing Emissions Standards

- Under IMO's new environmental rules to cut greenhouse gas emissions, older vessels may soon have to sail slower as the quickest solution to reduce fuel consumption and carbon emission, if they are not retrofitted with carbon-efficient devices.
- Market analysts estimated that, with a 10% drop in cruising speeds, fuel usage can be decreased by almost 30%.
- Supply chain has been strained due to combined effects of surge in demand as economies recover, pandemic port interruptions and a lack of new ships. If older vessels move into the slow lane as well, shipping capacity could suffer another hit.
- Tankers, container ships and bulkers all undergo the trend of ageing fleet, with average age of 12 years, 14.1 years and 11.4 years respectively by June 2022. New ship orders will have less-polluting designs, but they are not coming fast enough to halt the ageing trend.
- Market observed some shipowners are ordering vessels using alternative fuels such as methanol, hydrogen or ammonia; majority of new orders are still powered by fuel oil and other fossil fuels as the low-carbon technologies are still with limited commercial application; some shipowners prefer buying second-hand vessels because of the uncertainty around future fuels.

Market Snapshot: Hong Kong Proposed Updates For Regulations Under Merchant Shipping Ordinance

The Hong Kong Government proposed to amend eight regulations under Merchant Shipping (Safety) Ordinance to incorporate into local legislation the latest requirements under the IMO conventions. The proposed amendments to the regulations include:

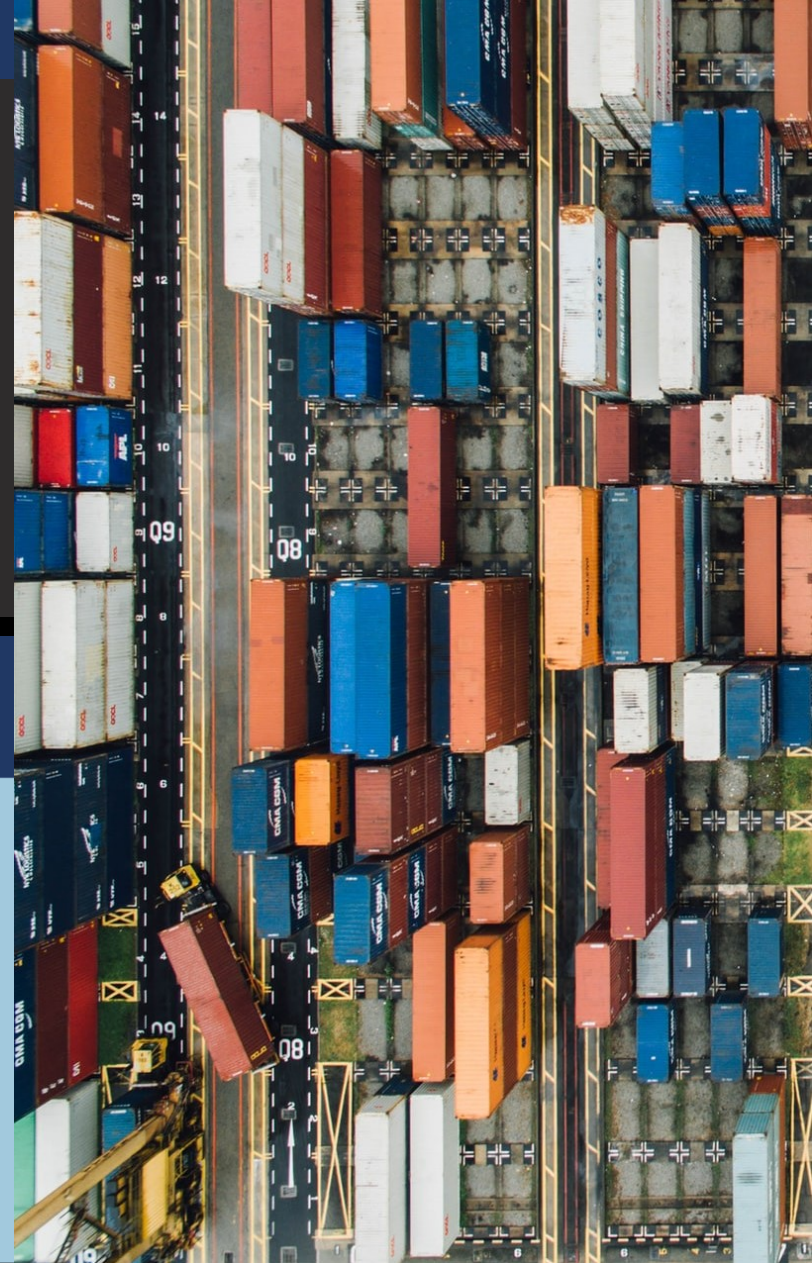
- the prohibition on the use and carriage for use as fuel of heavy fuel oil by ships in Arctic waters;
- the exemptions of unmanned non-self-propelled barges from survey and certification requirements;
- the controls on cybutryne for use as a biocide in the anti-fouling systems of ships;
- the new requirements of certain greenhouse gas emission reduction measures;
- regular revision of the IMDG Code.

Market Snapshot: Panama Canal Toll Restructure Receives Governmental Approval

- Panama Canal Authority announced a new toll structure after formal consultation period in past months. The new toll structure will reduce the number of tariffs from 430 to fewer than 60.
- The vessels in ballast condition for all market segments except for containerships, tolls will be calculated by applying 85% of the laden toll.
- On containerships, the charge for empty containers will be USD2/TEU in 2023, USD4/TEU in 2024, and USD6/TEU in 2025, lower than initially proposal of USD5, USD6.5 and USD8 in respective years.
- All other tariffs will be implemented gradually from January 2023 to January 2025 at the originally proposed levels, including the proposed modifications to the loyalty program for containerships, which will be phased out by January 2025.
- Incentives for return voyages applicable to containerships and liquefied natural gas vessels will be eliminated by January 2023 when the new structure comes into effect.

Market Snapshot: Will Singapore's Massive New Trans-shipment Port Untangle Global Supply Chains ?

- Singapore is forging ahead with a USD14 billion project to build the world's biggest automated port - Tuas by 2040, which will have capacity of 65 million TEU as a double of current existing space.
- Once Tuas is completed, the three city terminals at Tanjong Pagar, Keppel and Brani will all shut and move to Tuas by 2027, while Pasir Panjang terminal will be consolidated by 2040.
- Port Tuas will feature driver-less vehicles and drones for shore-to-ship deliveries, integrated information system to track cargo and communicate demand surges to all supply-chain players, and accept electronic bills of lading for cutting down paperwork processes.
- Expected to be a one-stop shop, the port aimed to make itself more efficient for ships to carry out all their needs: from banking to refueling to discharging cargo and storing it until the next ships become available.



Market Snapshot: IACS Unified Requirements For Cyber Security Mandatory From 1st January 2024

- The International Association of Classification Societies (IACS) published new Unified Requirements (URs) for cyber security: E26 and E27, which will be mandatory for classed ships and offshore installations contracted for construction from 1st Jan 2024.
- UR E26 aims to ensure secure integration of both Operational Technology and Information Technology equipment into the vessel's network, covering five key aspects of equipment identification, protection, attack detection, response, and recovery.
- The UR E27 targets that the system integrity is secured and hardened by third-party equipment suppliers. This E27 provides requirement for cyber resilience of onboard systems and development of new devices before their implementation onboard.



Market Snapshot: Strong LNG Demand to Keep Freight Rates Firm

- LNG tanker rates are expected to remain firm as market players try to secure cargoes for winter demand amid soaring LNG prices and tight global supply.
- The war in Ukraine and a major outage at major US facility Freeport LNG curtailed global LNG supply, pushing players to secure vessels for longer terms that extend at times to a year.
- As per pricing agency, LNG freight spot rates for the 3rd quarter 2022 will continue to rise, and in 4th quarter 2022 might soar to USD156,000/day.
- As to long term LNG freight, its average calendar rate for 2023 was estimated at USD95,917/day, compared to around USD86,000/day between 2019 and 2021.

Market Snapshot: Shanghai Port Requirements For Machinery Failures

Effective from 1st July 2022, Shanghai Maritime Safety Administration (MSA) enforced additional requirements in respect of vessels' machinery failure. When vessels enter or leave Shanghai Port, they will be subject to Accident Investigation and Safety Inspection by MSA, if the following occurs:-

- Machinery failure occurs within traffic lanes and precautionary areas.
- Machinery failure occurs in waters apart from those stated in above, and the repair time exceeds 2 hours.
- Close quarter situations, accidents caused by machinery failure, which obviously affects traffic safety order under the jurisdiction.
- Machinery failure occurred twice or more in Shanghai Port waters within 12 months.
- Within 12 months, ships run by the same Owners, Operators or Managers have suffered 3 or more machinery failures in the waters of Shanghai Port, and the cumulative number of machinery failures during this period exceeds 10% of the total fleet.

Happy reading, take care and see you in August!

Editor: Summer Hao
summerhao@cmholder.com

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