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Journal



Report
Bulk market

Focus

Baltic and European shipyards' performance in 2016

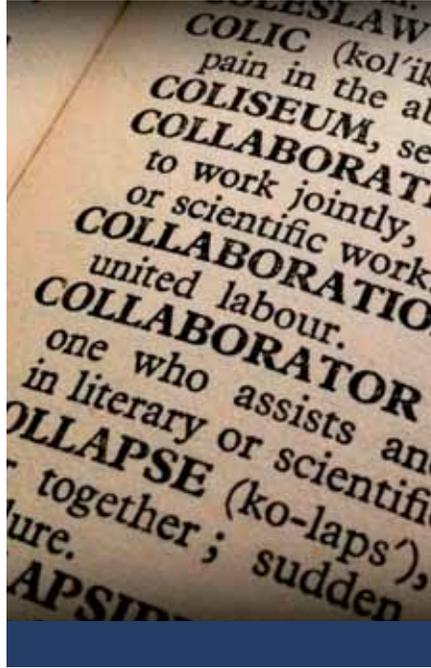
Economy

China meets Europe in the Baltic Sea region

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Europort, 7-10 November 2017, NL/Rotterdam, www.europort.nl

The conference is dedicated to maritime technology and complex shipbuilding. It includes an exhibition and two parallel events: CEDA Dredging Days, focused on dredging's sustainable infrastructure development, and RINA Conference, featuring alternative ship power & propulsion systems.



Offshore Wind Conference 2017, 8-9 November 2017, PL/Warsaw, www.konferencja-offshore.pl

Prospects and conditions for offshore wind power development and the potential for supply chain companies will be the main topics at the conference. The conference programme also reflects the expansion of transmission infrastructure, the future of offshore wind technology, and its place in Poland's energy mix.



TransPoland Translogistica, 8-10 November 2017, PL/Warsaw, www.trans-poland.pl

This event will be dedicated to production, distribution and trade, other transport & logistics issues, like e.g. the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), as well as safety in logistics and warehousing.



The Third International Forum on the New Silk Road and Sino-European Cooperation, 8-9 November 2017, DE/Duisburg, www.cec-duisburg.org

The One Belt, One Road Initiative, together with other projects aimed at building transnational institutions, raises new fundamental issues for economists and social scientists, as well as for the world of business, including transport and logistics. The Forum aims to explore the evolving the New Silk Road scenario in a collaboration with researchers, policymakers, business people, and representatives of civil society.



Gas Fuelled Ships Conference, 13-15 November 2017, FI/Helsinki, www.motorship.com/gfsconference

This event will take place on-board Viking Line's *Mariella*, installed with the world's first methanol fuel cell. The agenda includes a technical perspective on the innovation and investment driving the uptake of LNG, methanol and other low-flashpoint fuels in the commercial shipping sector.



World Rail Festival, 14-15 November 2017, NL/Amsterdam, www.terrapinn.com/events

The theme of this year's festival is the latest technology impacting the rail industry. The summit will touch upon many aspects of the commercial passenger rail strategy and experience, e.g. digital transformation, next-gen of mobile ticketing technology, as well as e-Commerce, revenue management and booking strategies, marketing, social media, and brand strategies.



VPO Copenhagen, 15 November 2017, DK/Copenhagen, www.copenhagen.vpoglobal.com

The Forum will touch upon such issues as vessel performance, efficient ship-to-shore operations, regulations, and smart shipping.



Polish LNG Conference, 22-23 November 2017, PL/Warsaw, www.polishlngconference.eu

This one of a kind meeting presents a unique occasion for stakeholders from all around Europe to take a closer look at the opportunities the Polish market presents for LNG development in the region. No other conference will gather that many policymakers, technology experts, logistics professionals, port representatives, and LNG suppliers in one place in this corner of Central Europe! LNG as a key element of Poland's and Europe's energy policy, new technologies, LNG as a synergy catalyst for different modes of transport – and much more!



TRANSLOG Connect Congress, 22-23 November 2017, HU/Budapest, www.translogconnect.eu

The Congress will bring the most up-to-date overview of the Central Eastern European market, the main trends, and impacts on logistics, transportation, supply chain, production, IT, as well as warehouse management-related topics.



Intermodal Europe 2017, 28-30 November 2017, NL/Amsterdam, www.intermodal-events.com

With over 40 years of history, the free-to-attend exhibition and conference will bring together the container shipping and intermodal industry in Amsterdam, showcasing global leading companies in the exhibition, hosting expert speakers in the conference and drawing in an audience of over 6,000 senior-level industry professionals.



9th Annual Baltic Energy Summit, 4-5 December 2017, LT/Vilnius, www.eeevents.co.uk/upcoming-events/baltic-energy-summit-2017

The Summit is the regional investment meeting for gas, power, energy, infrastructure and renewable sectors in the Baltic region. The two-day programme covers topics from: state policy, energy priorities, namely creation of gas & LNG as well as electricity market, and security of investments.



Jan Steen – Beware of Luxury, photo: Google Art Project

Make it happen!

– part one

by Przemysław Myszka

There's no point in denying it. We've all been there and done that, or, should I say – we did not do the things which we were supposed to take care of in the first place. Meet procrastination and the lack of willpower. These devils sitting on our shoulders entice us with dopamine-releasing whispers. Oh, yes, social media are better than that report you have to finish. This donut, all covered in delicious fat and sugar and with heavenly filling in it, is way more rewarding than those painful contortions you're torturing yourself with in the gym. To make things worse, you had to buy a membership card to get into one. The equivalent of a wheelbarrow of sweets, booze, dope, anything, you ruthless scoundrel!

There are countless other binges you can lose yourself in instead of doing what you know will benefit you in the long run. TV series, games, infobesity, porn, small fry tabloids, office gossip and plots, all kinds of distractions. Some of us are responding to this by fetishizing the future. It doesn't matter, they say, that we came a cropper yesterday and today, and that tomorrow will most likely be a kick in the face as well. Next week, month, after New Year – we'll live the perfect life, showing everybody what

we're really capable of. Just wait and see! Well, "You know nothing, Jon Snow."

There're two ways one can change his or her life. The first path, the intuitive one on the face of it, states that change in behaviour results from a shift in one's hierarchy of values. Therefore, the theory goes, you must first truly perceive health as something valuable to you in order to engage in healthy behaviours, e.g. swapping processed junk food for a whole-food diet. On the flip side – virtues come after actions. Now, let's admit it – the former does not work. Evidence shows that no matter how much philosophical work you do in advance, e.g. convincing yourself that it's good to be an honest person, it seems life works differently. You act honestly – you're a trustworthy person. You start pumping iron at a gym – you get fit eventually. You start selling things – you get to know the sales tricks and how they actually work on different customers. You start writing – you can get better at it over time if you're putting in the effort it demands. Experience builds skills, which strengthens confidence, which in turn gives you the courage to reach out for more. It's a virtuous circle. Sad to say this, but there's no manna from heaven for us. Just look at the people who win lotteries – the bulk of

them end up badly. On top of all that, thinking too much can simply drive you to paralysis by analysis. When it comes to us – the ants and bees of the 21st century economy – things need to be done, and it's up to you to make it happen.

There's much talk these days about how the new wave of digitised automation, as well as the Internet of Things and Artificial Intelligence will add to work efficiency. I'm all over these technologies, but, to my mind, there's a large productivity potential still being untapped within the labour force. Or, in the light of what I wrote earlier, should I rather say – shackled capacity. Hear me out on this carefully. In a paper titled *Great British Procrasti-nation*, RateSetter, a London-based peer-to-peer lending company, has uncovered that, on average, the Brits spend 218 minutes per day procrastinating. That's nearly two months of work flushed down the drain each year, costing the UK's economy some 76 GBP billion per annum. And it's not due to having a bad day from time to time. Nope, it's because we're bombarded with dopamine moonshine, leaking from each and every device we own. It's dispiriting to see tens of thousands of engineers and experts in arts and social sciences working on apps and games which are meant to hook our brain's reward system on dopamine releases. Think motivation. Work is sometimes hard, and hard work is even more demanding, as, by default, it requires more effort, creativity, and working hours. Also, rewards are often delayed. In contrast, instant gratification is out there at your fingertips. Catching attention – the most widespread addiction of the 21st century. If you ask me, it's more sinister than old fashioned drugs.

Where's our intelligence, the desire for progress, the real fight in all of this? Finger-swipers with their necks bent at 90 degrees, slashing the five millionth monster or erecting a milking machine on a virtual farm on the Moon, gosh! Take a seat in the back of a conference room and observe how many people are actually listening to the speaker. I've got a gut feeling that around 80% of the audience dives into their electronic devices or engages in chit-chat with their peers during a speech. Now, here's the bad news. According to a study from the University of California, Irvine, it takes roughly 23 minutes to refocus your attention on a given task after being interrupted by a distraction unrelated to that activity. Say goodbye to the presentation...

However, while procrastination and feeble willpower are fierce and daunting opponents, set up to scorch anybody on a hunting ground carefully selected by companies that are engineering addictive products and services, they're also far from being invincible. Part two of this column will be devoted to practical tips on how to tweak one's behaviour towards greater order, which, in turn, can lead to more freedom. ■



How the 0.5% global sulphur cap will change the refining and bunker markets



Ready for another big change?

by Charles L. Daly, *Chairman, Channoil Consulting*

After much deliberation and consultancy work, the International Maritime Organization has finally decided that the global cap on the sulphur level in ship fuel will be set at 0.5%. The new limit will come into force on January 1st, 2020, replacing the current 3.5%. Already, however, questions arise about the availability of compliant bunkers. This does not pertain only to refinery output, but also to how fuel traders, bunkering companies, and terminals worldwide will cope with the new norm.

In a parallel action, China decided to implement the 0.5% cap in 11 major ports, including Shenzhen and Shanghai, effective January 1st of this year. It will be interesting to see if other countries in the Pacific Rim follow suit. As with previous conventions, such as the 0.1% Emission Control Areas established in 2015, the 2020 limit will only apply to signatory states. We have not yet seen the full list of these, but in the last round in the application of Annex VI Russia was a significant non-signatory. All in all, the implications of this global cap are very significant even prior to the new rules becoming reality, and will have a number of unintended consequences which will only emerge with time.

To refine or not to refine

The refining industry will endeavour to meet the demand for 0.5% sulphur bunker fuel. This will probably be achieved by changing crude oil slate, rather than by investing in very expensive heavy fuel oil desulphurisation. History shows that, while premiums on new grades are initially high, they tend to reduce markedly within one to two years, as the industry adjusts to new relative values between grades and blending components. Refiners not yet committed to capital investment in upgrading their solutions may be wise to adopt a wait-and-see approach to confirm the economics.

Some lessons can be drawn from the introduction of the ECAs. At the time, there was a lot of debate on how to satisfy the new demand. Nonetheless, the oil industry managed to cope – in part by using the distillate stream, in part by extracting a compliant fuel from residues via the vacuum distillation route. However, the price of this fuel was greater than the price of crude oil; meanwhile,

High Sulphur Fuel Oil (HSFO) was traded at below crude oil price.

Refiners are currently most concerned with trying to find ways of upgrading heavy fuel oil to lighter and more valuable distillates. We are seeing large investments in upgrading schemes such as cokers and hydrocrackers. The basis for these investments is that fuel oil has been for a long time returning less than the price of crude oil. Furthermore, fuel oil has been a price taker, insofar as refiners just want to get rid of it.

The key issue is that refiners will not invest in storage of components/finished grades and blending facilities for post-2020 bunker fuels. In effect, black oil terminals with modern blending facilities will be in considerable demand from 2019 on. The result of all this investment activity is the reduction of the availability of fuel oil, particularly in mature markets, such as Amsterdam-Rotterdam-Antwerp, the Middle East, and Singapore.

Another potential issue is the fact that the residuals exiting from these sophisticated refineries will be of whatever quality results. Some of these residual will not be compatible with the middle distillates available in the market. Also, refiners will not make much effort to blend fuel oils, leaving it to traders or bunker blenders to meet the specifications demanded by ship owners. If the blends are made by unscrupulous blenders or traders, unwary engineers may end up with serious compatibility problems, even to the point of total engine failure. If these fuels start to appear on the market, however, it will become necessary to ensure that quality control is rigorous, and that pre-sampling and tank sealing takes place prior to delivery of the bunker parcel. Bunker suppliers are not going to like this.



Passengers and guns only

by Marek Bluś

The shipbuilding figures for 2016 look good, maybe even better than many would initially expect. European shipyards delivered last year a total of 2.5 million Gross Tonnage (GT) units, more by 58% year-on-year. As a result, the continent's contribution to the global output rose to 4% for the first time since 2011. The order books look promising, too. At the end of 2016, Europe had 6.6% and 11% of all the orders worldwide, measured in GT and Compensated Gross Tonnage (CGT), respectively.

Nevertheless, it would be far too premature to uncork a bottle of champagne to celebrate a victory – or at least sing the praises for an end to a protracted crisis haunting the industry ever since the Far East economies decided to go full swing with ship construction. As a matter of fact, Europe's rise in the overall share is the effect of the shipbuilding standstill taking place now in Asia. Moreover, the growth enjoyed by our continent's yards is both

very selective when it comes to geography, the years we compare together, and the ship types which pull the output – either up or down (Tab. 1).

Two-lane road?

So, what we're witnessing isn't either a renaissance of the sector or its breakdown. The shipbuilding industry is riding these days on two tracks. First, Europe is benefiting from an unprecedented increase in the number of cruise ship orders.

However, this may be a short-lived and one-shot phenomenon with the current orders set to be consumed till 2024. All in all, it may be a risky bet to specialise one's plant in the production of only one type of vessels, given the demand may run dry, and/or that competitors, including from the Far East, will pick up the challenge in order to slice their portion of this it seems exclusive and lucrative cake. For instance, the three German Baltic yards, taken over not long ago by the Kuala Lumpur-based

Dear Readers,



With the leaves turning gold and russet, this year is heading towards its conclusion. Alright, autumn is here, but we're not squirreling away any of the good things we've prepared for you. This issue again stores a considerable number of quality papers, as well as a new section, all of which is ideal for reading while muffled in a blanket with a hot steaming cup of tea or glögg.



But first things first. To all our friends from Finland – happy 100th anniversary of independence! Onnea Suomi100! Sisu for another centenary! In this regard, please check the *Heritage corner* on pgs. 87-90 for independence transport-related stories we've gathered with the help of our dear Finnish buddies. Kiitos!



As for other topics, getting ready for the global 0.5% sulphur cap has dominated the Report part of this issue, supplemented by articles and an interview on the oil and gas, pipeline, and storage for liquids industries, as well as a very interesting piece on the potentially very hazardous phenomenon of Dynamic Separation when shipping bauxite. The Focus column is all about shipyards – from a



Hugo Simberg – The Wounded Angel/photo: Wikimedia Commons

Baltic, European, and worldwide points of view. Also from a broader perspective, the Legal section hosts an in-depth analysis of international trade sanctions – their basis, extent, scope, and compliance, also including thoughts on how they worked in tackling the Iran nuclear issue, as well as what Brexit might change in this field. Technology is very diverse. Here we've got pieces on robotics in logistics, along with how technology can soon change – and as a matter of fact already is irretrievably altering how we're managing road and sea freight

transport as well as the wider supply chain. But here's a real blockbuster! Another article from Japan in our journal, this time on what will be the world's most eco-friendly cruise ship ever (kinetic floors, crazy!). What's particularly relevant here, is that the Ecoship will be built in the Baltic region. The Maritime column is abundant as well, with two articles on the latest in two Finnish seaports, followed by an analysis of the state of play when it comes to port cybersecurity (regrettable, to say the least!), ending with a piece on how the cloud technology is making compliance with the European Union's Monitor, Report, Verification (EU MRV) regulation easier for ship-owners and operators, even those far from being tech-savvy. Another Far East economy is present in this issue, too, and I'm not talking about the Made in China news section only. Professor Jean-Paul Larçon has written about the role of the Baltic Sea region and Central and Eastern Europe in developing the New Silk Road. Also, the abovementioned new section, the Baltic Book Club, sets off with a publication conceived under Professor Larçon's editorship. In the Economy we've got pieces on modern slavery in supply chains, with very disturbing data. There's also my own piece of writing on how the supply chain industry, particularly its container sea shipping and port elements, can address massive efficiency waste it generates itself with the help of modern technologies (well, it may as well not do it to others', like Amazon's, advantage). Lastly, Transport miscellany has something for those wondering all their lives how to combine in one place three things – a 20-foot container, coffee, and a bathroom (and, well, maybe also exhibitionism).

Have a great read!

Przemysław Myszkowski

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