

NEW HORIZONS FOR SHIPPING: MASTERING CHANGE

By Gina Panayiotou

Every challenge in our lives is there for a reason, so that we can figure out how to turn it into a strength.
Richard Branson

AN INVISIBLE SUPERHERO

Shipping is essentially the 'secret force' driving the world's economy. From coffee and laptops to clothes, even in our modern, speed-driven, globalized economy, 90% of everything still travels as it did almost 500 years ago: by ship. Placed in this context, it is evident that shipping serves a greater purpose than simply constituting an environmental pollutant. And while the shipping industry is an essential element in 'making the world go round', as the most environmentally friendly means of global transport, it is now confronted by the challenge of shifting towards a greener future.

THE SUSTAINABILITY CHALLENGE: AN 'ECOLOGICAL EMERGENCY'

Alignment with UN Sustainability Development Goals (SDGs) and climate action initiatives should be a target for all industries and for each and every one of us. We owe it to our future to act now, which is probably the reason why 15-year-old activist Greta Thunberg has so rapidly gained iconic power! Greta urges world leaders to act on the opportunity to address this 'ecological emergency' and this is exactly how the shipping world should embrace the challenge: as an opportunity for action, a time for change.

Shipping is changing in fundamental ways, with shorter cycles, a shift in trade dynamics, political uncertainty, continued volatility, technological disruption, the

rise of AI, stricter regulations and the need to safeguard the climate and life underwater. It is thus vital, through these waves of disruption, that it sets out new fundamentals for a sustainable future. Working closely with the industry on shaping legal strategies and compliance procedures for clients, it is encouraging to see a shift in the mindset, from negative to supportive, in respect of the International Maritime Organization's goals and targets. We are no longer discussing the necessity of such measures but rather the need to determine the right strategy forward. Having noted the risks associated with climate change, along with the wider effects of remaining inactive, it is no longer a matter of why; it is a matter of how!

INFLUENCING POWER: PREPARING FOR THE UNEXPECTED

As a dominant influencing facilitator of the global economy, the shipping industry has the power to prepare for decarbonization and the reform of operational standards, thereby achieving a greener future.

The shipping sector, represented by the International Chamber of Shipping (ICS), has officially proposed reducing carbon intensity by 50% by 2050, even though it has not suggested an absolute reduction target. Given the lack of a unified strategy by the IMO and its member states, due to diverse regional agendas, industry stakeholders are being called to action and given the opportunity to turn yet another challenge into a

competitive advantage. While most compliance measures might seem to mean greater costs, the reality is that the cost of adapting to change is the greatest investment any business can make.

TIPS FOR SUCCESS: STEP UP YOUR GAME

While each commercial strategy must be tailor-made, when it comes to advising on the question 'how', it always comes down to these 7 basics:

1. Corporate Social Responsibility (CSR) & Strategy

Have policies in place that facilitate operation to high environmental standards, which can achieve indirect benefits, through improving the company's image and competitiveness.

2. Green Financing

initiatives like the Poseidon rules prove that the industry's financiers are also stepping up to the climate challenge. Those investing in greener fleets, innovative technologies and ensuring alignment with IMO 2020 and 2050 targets are thus granted a competitive advantage.

3. Legal Strategy

From scrubber purchase and installation to financing contracts, time/voyage charter party risk allocation for scenarios such as delays in removing non-compliant fuel, the burden of cost for additional energy consumption, adding bunker adjustment factor (BAF) clauses, fine tuning of BIMCO IMO 2020 clauses and various other legal eventualities, your legal strategy must be upgraded to future-proof.

4. Future Build

Investing in environmentally friendly newbuilds is a must. It was recently announced that four Japanese companies aim to build the world's first zero-emission tanker by mid-2021, powered by large-capacity batteries. Shipping is entering a new era, so plan for the future. Think future!

5. Scrap Responsibly

Scrapping policies should ensure securing safe, stable scrapping locations and environmentally friendly yards, taking the respective IMO Guidelines into consideration.

6. Digitalize

Digitalization is an amazing tool in achieving efficiencies, from vessel performance to fuel consumption, so explore available options and optimize.

7. Commitment

In any success formula, commitment is vital. Commit to the Sustainable Development Goals (SDGs) on climate action; commit to as many SDGs as possible. Each and every goal is an opportunity for your business and for this industry to lead the way in creating a new era of clear, sustainable horizons. After all, a smooth sea never made a skilful sailor!

Info: Gina Panayiotou is an executive legal professional, and global head of the Shipping, Energy & Transport Department at Michael Kyprianou & Co. LLC. She specializes in commercial law, maritime/shipping, yachting, transport and energy law. Prior to joining Michael Kyprianou, she served for several years as Legal Manager of a large international ship owning company. She is one of the top 100 lawyers on the Legal 500 GC Powerlist 2018: Greece and Cyprus and has been listed as one of the top 100 individuals on AllAboutShipping's 2018 list.