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JEAN-MARC ROUÉ,
PRESIDENT OF ARMATEURS DE FRANCE

edito

**IN 2018, FRANCE LIKE OTHER COUNTRIES,
WAS AFFECTED BY PUBLIC ANGER AND
DEMANDS THAT NEED TO BE HEARD.
TRIGGERED IN PARTICULAR BY THE
ANNOUNCEMENT OF A RISE IN FUEL
TAXES, THE YELLOW VEST MOVEMENT
POINTED AT THE EMISSIONS GENERATED
BY OUR SHIPPING SECTOR, CLAIMING
THAT IN COMPARISON, CAR DRIVERS
WERE “UNFAIRLY” TAXED.**



Numerous figures were bandied about in the media, and it was claimed on social media that “15 cargo ships pollute more than all the cars in the world”. Not true! Of course, shipping generates atmospheric emissions, but let us remember, and this figure is not contested, that it represents around 3% of worldwide emissions of CO₂¹. Maritime freight emits far less CO₂ than the trucks required to transport the same cargo over an identical distance. We live in a world of mass transport, the cheapest, and for this reason 90% of goods are transported by sea.

Moreover, it is inappropriate to compare the incomparable. Decisions concerning cars are usually made at the national level, whereas those governing shipping are international. In 2018, the IMO defined its strategy for the shipping industry, a historical step in the fight against global warming. The signatory States committed to reducing the total volume of greenhouse gases by at least 50% by 2050, compared to 2008. To achieve this goal, French shipping companies are adopting the whole range of measures available and are already building ships driven by LNG-powered engines, or are reducing the speed of ships. This speed reduction measure is specifically suited to the bulk sector, which represents 70% of global volumes transported². It is immediately applicable, if the States so decide, and effective, as reducing ship speeds not only limits emissions but also fuel expenditure.

Another historic milestone in world shipping: on 1st January 2020, ships will have to reduce their sulphur emissions. The maximum admitted sulphur content will fall from 3.5 to 0.5%. Uncertainties remain as to the availability of compliant fuel and its price, but French shipping companies will be ready. They will go even further in favour of public health and are envisaging devices that will also filter out particles.

To effectively meet environmental challenges, our sector needs to step up its investments in the years to come. *Armateurs de France* is arguing for an ambitious and proactive policy to develop competitiveness, and concrete tools to facilitate funding of essential fleet renewal. Following confirmation of the extension of the social contribution exoneration scheme included in the 2018 finance law, and confirmed by Brussels at the end of the year, our energy was boosted in the autumn with the adoption of an additional depreciation scheme for greening of the fleet by the French Parliament, which needs to be rapidly approved by the European Commission and extended. One more reason for *Armateurs de France* to remain mobilised in 2019!

(1) Source: IMO
(2) Source: Clarksons for the year 2018

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— Interview with **Hervé Thomas**

THE GENERAL DELEGATE OF
ARMATEURS DE FRANCE PAINTS
A PORTRAIT OF FRENCH SHIPPING,
COMMITTED TO THE ECOLOGICAL
AND ENERGY TRANSITION OF ITS
FLEET.

“We rely on an exemplary fleet, seafarers and shipowners, in terms of security, the environment, quality and know-how.”

What position does France occupy today in world shipping?

With more than 11 million km² of Exclusive Economic Zone, that reflects the size of our overseas territories, our country has the second largest maritime area in the world after the United States. Of course, this does not rank France as a leading European maritime economic power, as our merchant navy operates around 1,000 of the 60,000 merchant ships navigating on the oceans. However, among its flagship companies, France has world leaders including CMA CGM and Louis Dreyfus Armateurs, Orange Marine, Bourbon and others who contribute to the international reputation of our country.

France is also one of the States sitting on international bodies, particularly on the UN Security Council. It has a permanent representation at the IMO¹ and the European Union. France is also one of the rare States to have a leading military navy, with a technological capability that gives us considerable diplomatic weight in international negotiations.

In the merchant navy, French shipowners are involved in international and European professional bodies, including BIMCO² with 65% of the world's tonnage, the ICS³ and the ECSA⁴ federating 25 shipowners' associations from the European Union Member States and Norway.

(1) International Maritime Organisation

(2) Baltic and International Maritime Conference

(3) International Chamber of Shipping

(4) European Community Shipowners' Associations

Can you give us an overview of the French shipping sector?

Armateurs de France is the French Shipowners' Association which represents around fifty companies from SMEs⁵, the majority of our members, to major international groups.

The French commercial fleet is highly diversified and represents sectors with different needs and expectations. This is a strength but also a considerable challenge. In the service sector, our country is well placed in a sensitive or even strategic activity: laying and maintenance of undersea cables carrying 99% of the world's digital data. The combined number of ships of Orange Marine and Louis Dreyfus Armateurs places us among the world's leading cable-laying fleets. The Bourbon group is one of the leading offshore oil services companies, and France has many companies providing other maritime services, such as oceanography and



submarine research, assistance and rescue, supply of marine sand and port services.

For coastal and offshore navigation, French ships are present on all our seas and carry all types of freight (container, dry and liquid bulk). With decision-making centres based in France, for example they guarantee the safety of the country's strategic and energy supplies.

French shipowners are also present in the ferry sector, the transport of vehicles and passengers, mainly operating from France, Corsica, North Africa, but also cross-Channel and in Spain. In the cruise sector, *Armateurs de France* has among its members a luxury cruise company, Ponant. At the forefront of

innovation, they are building the first ice-breaking passenger-ship making trips to the geographic North Pole possible. They offer voyages with a minimal environmental footprint thanks to the ship's power and the scientific management of passengers during port calls, fixing high requirements on the preservation of biodiversity.

French shipping operators are at the leading edge of technology and are constantly working to improve the operating conditions of their ships. We rely on an exemplary fleet, seafarers and shipowners, in terms of security, the environment, quality and know-how.

Legislation requires us to reduce the environmental footprint of shipping. What is the position of French shipowners?

Aware of and concerned about the impact of shipping, and all means of transport, on the environment and populations, France and its shipowners want to move fast and far in their ecological and energy transition. Firstly, by respecting international regulations. In the short-term, to meet public health challenges, especially in highly environmentally sensitive ports and waters, but also by being committed together and over time to the climate challenge by reducing greenhouse gases. The response requires innovative measures, such as electric

(5) Small and Medium-sized Enterprises

Armateurs de France is:

 **≈ 50 COMPANIES**

22,000
direct jobs



80,000
indirect jobs

Almost **1,000** ships operated or controlled

10 years

the average age of the French fleet on 1st July 2018 compared to 14.6 for the world fleet

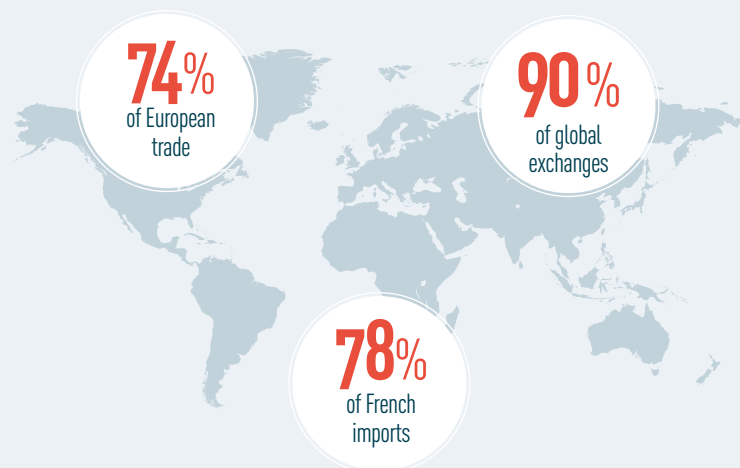
shore connection for ships during port calls, and the use of cleaner fuels. For example, ships powered by liquid natural gas emit almost no sulphur or nitrogen oxides, or fine particles. This transitional marine fuel also has the advantage of being available in large quantities on the world market for years to come. Several shipowners have already made this pioneering choice in renewing their fleet. *Armateurs de*

France also encourages "slow steaming", a reduction in speed that is especially suited to some sectors of activity and namely bulk cargo. Easily verifiable by the regulatory authorities, this measure can reduce ships' energy consumption, and hence their emissions, by 30 to 40%. However, it should be applied consistently to all operators in the same sector.

French shipping is characterised by a permanent exploration for solutions to preserve the environment. Some of our ships take research crews on board to learn more about the oceans or implement cetacean notification protocols to prevent collision risks. Others fit their ships with the latest technology to reduce noise. In passenger transport, some companies are finally implementing traveller awareness campaigns to preserve the marine and coastal environment.

These are many examples of the willingness of French shipowners but also the need for a variety of measures, some of which are yet to be invented, so that shipping remains at the forefront of environmental innovation.

Shipping provides:



Source: European Commission

THE STRENGTHS OF FRENCH SHIPPING



Family-owned companies with their head office in France and able to invest in the long-term



Safer, cleaner and more energy-efficient ships than many of their competitors



Recognised managerial know-how, which has contributed to the undeniable energy in the European shipping industry



An internationally renowned school of excellence, the Ecole Nationale Supérieure Maritime (ENSM)



A strong ambition to become a leader in each business sector

— Armateurs de France:

A tailor-made organisation to better serve our members' interests

The Bureau

- Jean-Marc Roué, Chairman of Brittany Ferries Supervisory Board
- Fernand Bozzoni, Chief Executive Officer of Socatra
- Marc Etcheberry, Managing Director of Geogas Maritime
- Gildas Maire, Chief Executive Officer of Louis Dreyfus Armateurs

The Executive Committee

is composed by twenty member companies. It is the decision-making body of Armateurs de France.

The Steering Committees

meet to discuss cross-disciplinary issues and draw up common policies.

- **SOCIAL AFFAIRS**, chaired by Éric Derrien, Genavir Chief Executive Officer.
- **ECONOMY/TAX**, chaired by Gildas Maire, Louis Dreyfus Armateurs Chief Executive Officer.
- **ENVIRONMENT**, chaired by Bruno Caillard, Greenship Gas Managing Director.
- **SAFETY/SECURITY**, chaired by Jacques Gerault, CMA CGM Institutionnal Advisor on French Maritime Policy.



— The Crew

Hervé Thomas
Director General



Flore Noirot
Economics, Multimodality and Ports Officer



Laurène Niamba
Legal and Tax Affairs Manager



Nelly Grassin
Environment, Safety and Security Manager



Marie-Claire Denicourt
Accounting and Human Resources Manager



Blandine Huchet
Quality and European Affairs Manager



Amélie Alonzo
Legal Advisor, Doctoral Student



Philippe Costa
General Affairs Manager



Mélanie Cazenabe
Communication Officer



Agnès Rincé
Communication Manager



Cécile Rafat
Environment and Communication Officer

The missions

- **TO DEFEND and PROMOTE** the interests of French maritime companies
- **TO REPRESENT** companies in French, European and international bodies
- **TO COMMUNICATE** and promote the image of shipping
- **TO NEGOCIATE** collective bargaining agreements (CBAs) and industry-wide agreements
- **TO INFORM and ADVISE** its members everyday

— Progress in Ecological Transition Funding

AT THE END OF 2018, THE FRENCH NATIONAL ASSEMBLY ADOPTED AN ADDITIONAL TAX DEPRECIATION SCHEME, ENCOURAGING SHIPPING COMPANIES TO CONTINUE THEIR COMMITMENT TO THE ENERGY TRANSITION OF THEIR FLEET. *ARMATEURS DE FRANCE* HELPED TO DESIGN THE SCHEME, SEEN AS THE FIRST MILESTONE AND AN ESSENTIAL STEP IN EXTENDING IT TO A MORE DIVERSIFIED FLEET AND MORE “GREENER” SOLUTIONS.

“Renewal of the fleet is a crucial challenge that requires considerable investment on the part of shipowners. For a long time, the government has been considering our request to implement a true policy in support of greening shipping. For this reason, Armateurs de France worked alongside members of parliaments, like Saïd Ahamada, the MP for the Bouches-du-Rhône department, who put forward an amendment to the Finance law to support and encourage shipowners’ “green” investments. We also expressed the needs of our members, provided cost scales and helped to design the scheme”, explains Laurène Niamba, Head of Legal and Tax Affairs at Armateurs de France.

The final text was adopted by the National Assembly in December 2018. The additional depreciation scheme concerns construction agreements signed between 1st January 2019 and 31st December 2021. Companies will be able to deduct some of the investment from their taxable profit.

The rate of depreciation differs according to the degree of innovation on the new vessels. Hence, the additional depreciation amounts to 30% for ships using mainly carbon-free energy (hydrogen, electric, sail) or for electricity production used as the main propulsion energy, and 25% for ships using liquid natural gas (LNG) for the same purposes.

A 20% rate is also provided for the installation of “last-generation” scrubbers on existing ships.

This same rate is allowed for the purchase of equipment used for the electricity supply during port calls¹.

Only ships sailing under an EU Member State flag, for which French ports represent a minimum of 30% of port calls, or which navigate more than 30% of the time in France’s Exclusive Economic Zone will be able to access the scheme. This additional depreciation measure will therefore mainly apply to port fleets and passenger vessels operating primarily in national waters.

“The additional tax depreciation is definite progress in funding our energy transition. The joint work of Armateurs de France and parliamentarians should be welcomed. It is essential that shipowners’ “green” investments are supported and encouraged”

Pierre-Antoine Villanova, Directeur Général de Corsica Linea



“While the scheme adopted is an important and necessary step for shipping, it would be interesting to develop additional solutions for the whole merchant fleet, particularly operating internationally. The scheme could also be widened to retrofit projects and to other methods of propulsion such as biogas or electric batteries to further advance the ecological transition and accelerate R&D”, concludes Laurène Niamba.

Next step: validation of the scheme by the European Commission as part of State Aid.

(1) Using the shore supply or auxiliary engines using LNG or low-carbon energy, and the goods used to supplement the ship’s main propulsion with low-carbon propulsion for installation on a ship in service



THE ADDITIONAL TAX DEPRECIATION SCHEME

PURCHASE MADE BETWEEN 1ST JANUARY 2019 AND 31 DECEMBER 2021

<p>New Ships</p> <p>- 25%</p> <p>FOR SHIPS POWERED BY LNG*</p>	<p>- 30%</p> <p>FOR SHIPS POWERED BY LOW-CARBON PROPULSION*</p>
--	--

*as their primary source of power or to produce electrical power for primary propulsion

<p>Existing Ships</p> <p>- 20 %</p> <p>FOR THE INSTALLATION OF “LATEST GENERATION” SMOKE SCRUBBERS</p> <p>FOR THE PURCHASE OF EQUIPMENT USED FOR PORT CALL SHORE SUPPLY¹</p>

— OPCO Mobilités: Professional Training is Changing

A CENTRAL ISSUE IN THE AUTUMN OF 2018 WAS THE FRENCH GOVERNMENT'S REFORM OF PROFESSIONAL TRAINING, A MAJOR CHALLENGE FOR THE MARITIME SECTOR. *ARMATEURS DE FRANCE* TOOK PART IN THE WORK PRECEDING THE SIGNING OF THE AGREEMENT IN DECEMBER WHICH LED TO THE CREATION OF OPCO MOBILITÉS ON 19TH MARCH 2019. FOR EMPLOYERS, HERVÉ THOMAS, GENERAL DELEGATE OF *ARMATEUR DE FRANCE*, CO-CHAIRLED THIS NEW SKILLS CLUSTER AS IT WAS BEING SET UP, ALONGSIDE THE UNION CGT.

OPCO Mobilités officially applied for approval from the Ministry for Labour on 31st December. It includes 21 sectors and the RATP⁴, forming a collective of 1.5 million employees working in 210,000 companies, and with estimated resources of over 400 million Euros. Almost 50,000 vocational trainees will benefit from the support of the OPCO.

OPCO Mobilités' goal is to help to structure jobs and skills in the personal and freight transport sector and is perfectly in line with the challenges of digital, energy and ecological transitions.

It will offer a customer-focused service to fund vocational training, and the skills development plans of SMEs. It will support all sectors in developing transversal Workforce and Competency Planning and Development, and observatories for vocational training and certifications.

In its articles of association, objectives and operation, OPCO Mobilités has included new priorities: vocational training and companies of less than 50 employees. It will also have a strong presence in the regions.

The Articles of Association which must respect the principle of parity⁵ and a place for each sector, provide that each organisation be represented at the AGM, and that each Sector organises its work freely within a Trade Council and is represented on the Board of Administration according to its economic and industrial weight.

"The challenge is to exist coherently within this large body bringing together one and a half million employees. Armateurs de France will ensure that its members and employees in the sector are properly represented", indicates Hervé Thomas, general delegate of *Armateurs de France*. The year 2019 will mostly be devoted to transfers of personnel and the setting up of new mechanisms for this new OPCO.

In the field of industrial relations, there are two other major issues: restructuring of professional sectors requested by the Government and the implementation of a universal retirement scheme. By 2022, the number of professional sectors should fall from 500 to less than 200, requiring a rapprochement of the collective bargaining agreements of similar professions. Finally, the law on the universal retirement scheme should be examined in the French National Assembly during the month of September 2019.

(1) Organisme Paritaire Collecteur Agréé

(2) Unions de Recouvrement des cotisations de Sécurité Sociale et d'Allocations Familiales

(3) Very small and medium-sized enterprises

(4) Company operating part of the Paris and surrounding region's public transport network

(5) Four statutory commissions complete the parity principle: vocational training, skills development plan, regional actions and services, and observatories and certifications.

Until 2018, professional training in France was managed by 20 OPCA¹. The 2019 reform represents a profound change by the Government. The law of 5th September 2018 aims at radically changing the role and mission of the OPCAs, placing them at the service of the new skills needs of companies and employees. The OPCAs become OPCOs (*opérateurs de compétences*), reorganised into a coherent and economically relevant field of intervention. From now on, eleven or ten new skills clusters will manage issues around training.

They will include professions with similar strategies and challenges (particularly in terms of digital transformation, logistics, energy transition) with shared public contacts, similar skills and certification requirements, and similar professional mobility issues. This should create synergies in training and facilitate career mobility. The reform has led to the creation of a large organisation, France Compétences, which mandates the URSSAF² to collect the funds devoted to professional training and the OPCOs to manage two budgets. The first will fund vocational training, the second will be used to provide training for SMEs³.

OPCO MOBILITÉS' MISSION



Inform

Drawing up and sharing of information on professions, jobs, qualifications, certifications and available training.



Support and Advise

Advice, support and specialist expertise to meet the specific "job-skills" issues of companies / Arrangement of schemes with those of possible partners to optimise effectiveness



Finance

Diagnostics, support for training and skills development measures / Deployment and funding of collective sector or inter-sector training nationally or regionally

— In 2018 more than ever, Brexit Means Brexit

FOLLOWING THE MASSIVE REJECTION OF THE NEGOTIATED WITHDRAWAL DEAL BY BRITISH MPS LAST 15TH JANUARY, IT IS DIFFICULT TO PREDICT THE FUTURE OF THE RELATIONSHIP BETWEEN THE UNITED KINGDOM AND EUROPE AFTER 30TH MARCH 2019. SINCE 2016, EVERYONE HAS BEEN PREPARING FOR THIS UNIQUE EVENT WHICH SEES THE UNITED KINGDOM LEAVE THE EUROPEAN UNION. *ARMATEURS DE FRANCE* HAS HAD TO ADAPT ITS WAY OF WORKING TO INFORM ITS MEMBERS OF POTENTIAL REGULATORY CHANGES WHILE KEEPING A CLOSE EYE ON THE NEGOTIATIONS OF THE TASK FORCE HEADED BY MICHEL BARNIER.



“Every two weeks, I send a “Europe newsletter” to our members. It includes all the notices published by the British government on purely maritime issues: safety declaration on port stopovers, recognition of sailors’ qualifications, but also on issues that affect us such as border crossings (declarations, customs and sanitary checks)”, explains Blandine Huchet, head of European Affairs at Armateurs de France. In this newsletter, she covers news of the negotiations, reactions from the European institutions, the provisions

made by France in the event of a hard Brexit, which could affect companies in the shipping sector. Working with administrations that are new for shipowners, such as the “Agriculture Department”, she is able to assess “the height of the step to be taken”. For shipowners, the main question remains the free flow of goods. Restoration of customs checks will likely create delays in docking times leading to disorganisation of supply chains. This could create additional pressure on port facilities, in a

context that is already under pressure from migration. “The customs are making a lot of effort to educate the various operators in the formalities to be completed”, specifies Blandine Huchet. The agreement between the Task Force led by Michel Barnier and the UK negotiators on 14th November last, covers all the provisions of the withdrawal, a protocol that applies to the Republic of Ireland and to Northern Ireland, and the outline of the future relationship between Europe and the United Kingdom.

“The negotiation has been completed, but so far the ratification process is very disappointing, although we knew that the issue of the border with Ireland would be a complex one”, regrets the expert. The chances of seeing the agreement applied are limited. Blandine Huchet deplores Brexit and its potential impact on shipping between France and the United Kingdom. “It is a regrettable political decision that was made in just as regrettable conditions. There will be

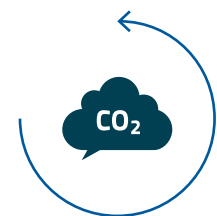
no winners here. The French and European authorities need to understand the impact on shipping operators and envisage additional contingency measures”. While the European Union should allow British road hauliers to continue driving in Europe for nine months (a measure that will be reciprocated for European drivers), and is preparing an emergency agreement for air traffic, no contingency has been planned for shipping in particular.

“What we hope will come, and is actually achievable, is a continued dialogue between the European Union and the United Kingdom on maritime issues to coordinate the positions with the IMO and find agreements to replace the current legislation, so as not to close the door on years of collaboration... This is quite a well-integrated sector; it wouldn’t make sense to have different rules on either side of the Channel”, concludes Blandine Huchet.

— Environment: Future Challenge for World Shipping

2018 MARKED A TURNING POINT IN NATIONAL AND INTERNATIONAL SHIPPING'S COMMITMENT IN FAVOUR OF THE ENVIRONMENT. THE 72ND AND 73RD MARINE ENVIRONMENT PROTECTION COMMITTEES (MEPC⁽¹⁾), ACTIVELY ATTENDED BY *ARMATEURS DE FRANCE*, NOTED THE REDUCTION IN THE TOTAL VOLUME OF GREENHOUSE GAS EMISSIONS, A SCHEDULE FOR MANAGING BALLAST WATER, THE BAN ON CARRYING NON-COMPLIANT FUEL AND AN ACTION PLAN TO REDUCE THE DISCHARGE OF MARINE PLASTIC LITTER FROM SHIPS.

In April 2018, more than 100 States adopted the strategy to reduce greenhouse gas emissions in global shipping. Concretely, the signatory countries are committing to reducing the total volume of greenhouse gases (GHG) by at least 50% by 2050, compared to 2008. The 72nd MEPC marks a historical step in the fight against global warming in the shipping sector. The 73rd meeting of the MEPC in October 2018, approved a short-term measure classification programme to follow up this strategy and invited States to submit concrete measures at future meetings at the International Maritime Organization (IMO).



50% reduction
in greenhouse gases by 2050
(compared to 2008)

Unlike other Member States, France has a permanent representation (PR) at the IMO. For Nelly Grassin, Head of Environment at *Armateurs de France*, “the permanent link with this representation is precious. It means that we can propose French shipowners’ initiatives in favour of shipping that respect the commitments of the Paris Agreement and that are environmentally innovative.”

As regards the Convention for management of ships’ ballast water and sediments⁽²⁾, the MEPC 72 adopted several amendments. The most important one provides for a new schedule for ships to fit a treatment system. Another considerable advance was the MEPC 73 underlined the importance of getting feedback to make the Convention more operational. The experience of the last few years will be analysed and new amendments would probably be adopted. Work should be completed in 2023.

The non-compliant fuel carriage ban on ships not fitted with scrubbers will enter into force on 1st March 2020 thanks to an amendment to MARPOL⁽³⁾. This ban will strengthen the application of the sulphur limit of 0.5% m/m (mass for mass) in fuel used by ships navigating outside emission control areas⁽⁴⁾ on 1st January 2020. Nelly Grassin welcomes “this amendment which

MAIN MEASURES IN THE ACTION PLAN TO REDUCE PLASTIC WASTE AT SEA IN MEPC 73:

- System to declare and locate lost containers
- Improvement in port reception facilities
- Study on microplastics
- Training of personnel working at sea



supports the uniform implementation of this measure and limits competitive distortions”, while at the same time questioning “the quality and availability of replacement fuels”.

In parallel, the Committee looked at drawing up measures to reduce the risks associated with the use and carriage of heavy fuel by ships navigating in Arctic waters. A concrete measure has been suggested: a ban. For the time being States are conducting impact assessments.

A further step was also taken concerning the discharge or plastics at sea, already banned since 2013 under the MARPOL Convention. The approved action plan, to be applied by 2025, focuses on fishing vessels and loss of

containers. The measure was welcomed by Antidia Citores, the spokesperson for a European NGO for protecting water and coasts, “*Surfrider Fondation Europe* is delighted that the IMO is planning restrictive measures on emerging issues such as microplastics, loss of containers and fishing gear”.

(1) Marine Environment Protection Committee

(2) Ballast Water Management Convention or BWB, entered force in 2017

(3) For MARine POLLution, international convention for the prevention of marine pollution by ships

(4) In Emission Control Areas, or ECAs, the limit is set at 0.1% m/m.



1st January 2020
Sulphur content for fuel used by ships
limited to 0.5% m/m
In Emission Control Areas (ECA):
the limit remains at 0.1 m/m

— Autonomous ships, Towards a Regulatory Framework

WHILE AUTONOMOUS SHIPS EXIST, INTERNATIONAL REGULATIONS REMAIN TO BE INVENTED. IT WAS IN THIS CONTEXT, THAT THE INTERNATIONAL MARITIME ORGANISATION (IMO) TABLED THE ISSUE IN 2017 TO OPEN THE DISCUSSIONS IN 2018.



In June 2018, the 99th IMO Maritime Safety Committee (MSC) started work to define legislation to open navigation to autonomous ships. “During the committee, the States decided to test a temporary framework and methodology on a first sample of texts. At the review in December, the committee decided to continue the work with these tools with the goal of completing work on safe, secure and environmentally sound operation of autonomous ships by April 2020”, explains Amélie Alonzo, jurist and doctoral student in maritime law at *Armateurs de France*.

Initially, we had to characterise the autonomous ship, also called MASS for Maritime Autonomous Surface Ship. This definition includes four degrees of ship automation: ships with automated processes and decision support, remotely controlled ship with seafarers on board, remotely controlled ships without humans on board and fully autonomous ships whose operating system is able to make decisions by itself.

In December 2018, the 100th session of the Maritime Safety Committee confirmed the methodology in two successive phases. The first aims at identifying provisions in IMO instruments and how they may apply to MASS operation. France was one of the Member States that volunteered to examine some of these provisions. The second step consists of analysing and determining the most appropriate way of addressing MASS operation taking into account the human element, the technology and operational factors. The aim is to complete the regulatory definition exercise for the 102nd committee in April 2020.

“The Maritime Safety Committee has opened the way by testing this methodology. The IMO legal and marine environment protection committees have decided to undertake the same approach in the next two years”, said Amélie Alonzo.

THE 4 TYPES OF AUTONOMOUS SHIPS

Degree 1

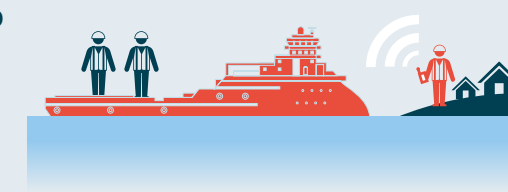
SHIP WITH AUTOMATED PROCESSES AND DECISION SUPPORT



Seafarers are on board to operate and control shipboard systems and functions. Some operations may be automated and at times be unsupervised but with seafarers on board ready to take control.

Degree 2

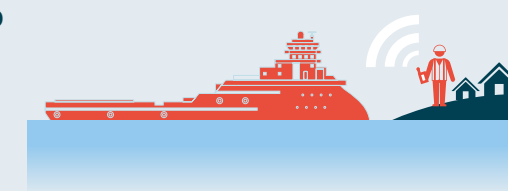
REMOTELY CONTROLLED SHIP WITH SEAFARERS ON BOARD



The ship is controlled and operated from another location. Seafarers are available on board to take control and to operate the shipboard systems and functions.

Degree 3

REMOTELY CONTROLLED SHIP WITHOUT SEAFARERS ON BOARD



The ship is controlled and operated from another location. There are no seafarers on board.

Degree 4

FULLY AUTONOMOUS SHIP



The operating system of the ship is able to make decisions and determine actions by itself.

SHIP AUTOMATION, A STRATEGIC CHALLENGE FOR BOURBON

In January 2018, the group Bourbon signed a strategic partnership with Bureau Veritas, world leader in certification, concerning the automation of its ships.

“In shipping, connected technologies are sources of reduced operating costs while maintaining higher quality and safety standards”, explains Frédéric Moulin, Vice-President Innovation & Operating Standards at Bourbon.

This partnership is part of the shipowner's *Smart shipping* policy with three major goals: to improve operational safety using real-time support for operators on board and remote support for shore crew; better organisation on board to reduce the number of operators; to reduce fuel and ship maintenance costs using dynamic positioning⁽¹⁾.

This project also offers a response to cybersecurity threats. Apsys, a subsidiary of Airbus specialised in risk management, and partner to Bureau Veritas, helps to identify and reduce the risks linked to data collection, ship-to-ship communication and shore infrastructures for Bourbon. Thus, Bureau Veritas can certify the ships' cybersecurity and classify them according to international industrial security standards.

(1) Dynamic positioning (DP) is a computer-controlled system enabling a ship to maintain its position using its own means of propulsion.

— Review of Major Events in 2018

10 April

ARMATEURS DE FRANCE TURNS THE SPOTLIGHT ON MAJOR CHALLENGES IN SHIPPING BY ORGANISING ITS FIRST SHIPPING DAY AT THE PAVILLON VENDÔME IN PARIS, IN PARTNERSHIP WITH THE FRENCH WEEKLY NEWSPAPER LE MARIN.

Following its Annual General Meeting on the morning of 10th April, *Armateurs de France* invited 300 experts, including public and private leaders and representatives from the entire French and European shipowners' community to discuss **major challenges raised by the change in ship propulsion methods, and to explore the wonderful potential of LNG as an alternative marine fuel.** And because optimal safety and security in shipping and its supply chain are constant preoccupations for shipowners, the best specialists on the issue

presented challenges that cybersecurity poses to our industry, and the responses required to meet them.

The afternoon of debates, led by two journalists, Frédéric Auvray and Thibaut Teillard, proved that the **shipping industry is on its way to meeting the dual challenge of the environment and the digitalisation of all its activities.** Following on from the success of this first edition, welcomed for the quality of the speeches, *Armateurs de France* is organising a second edition in 2019.



From left to right
LNG Round table: Antoine Person, Louis Dreyfus Armateurs; Luc Gillet, Total; Alexandre Amedjian, Société Générale; Nicolas Bally and Yann Tanguy, MAN Diesel & Turbo France; Ludovic Gérard, CMA CGM; Christine Cabau Woehrel, Grand Port Maritime de Marseille



Cybersecurity round table: Thomas de Menthère, Airbus; Jean-François Segretain, Bureau Veritas; Lars Robert Pedersen, BIMCO; Thibaut Marrel, ANSSI; Sylvain Gauden, Scor Business Solutions; Hervé Cornede, Haropa



The day ended with the annual *Armateurs de France* cocktail party. In front of 400 guests, Jean-Marc Roué, President of *Armateurs de France*, recalled the essential support of the French Government for shipowners' initiatives to meet the challenges of Blue growth. Speaking to Brune Poirson, Secretary of State for the Ministry for the Ecological and Solidary Transition, he claimed "the issue of low-carbon transport which is central to your Ministry can only be raised in a wider context: that of a global policy of support and encouragement that the French States owes actors in the Blue economy." The minister then reaffirmed the Government's maritime ambition to the shipowners' community.

"The Prime Minister's confirmation of a strong national maritime ambition, at the start of the five-year term, was of great satisfaction to all, I will not deny it! It concerns all of us, collectively. We are all defending a common goal: to place our companies at the core of a real industry-wide policy, at sea and on land."

Jean-Marc Roué, President of *Armateurs de France*

Following the speeches, Jean-Emmanuel Sauvé, President of Ponant, the winning company in 2017, presented the Blue Charter Trophy to Jean-François Tallec, Institutional Advisor at CMA CGM, thus rewarding the group for its pioneering action in favour of the environment: at the end of 2017, CMA CGM announced their order for nine new container ships with a capacity of 22,000 TEUs, powered by liquefied natural gas (LNG). These ships will be the first in the world of such a size to use this alternative to heavy fuel.



"It gives me great satisfaction to belong to the French shipping community at the forefront of environmental action! Investment in Marine Renewable Energy, shore-to-ship power, protection of cetaceans, agroforestry project... the diversity of the candidates for the Blue Charter Trophy are proof that our companies are working hard to protect our planet and all initiatives should be lauded. CMA CGM's major project to equip its large container ships marks a turning point in the history of the Merchant Marine. More than a world first, this achievement provides real impetus to the creation of an LNG sector."

Jean-Emmanuel Sauvé, President and Co-founder of Ponant, President of the 2017 Blue Charter jury

4 July

ARMATEURS DE FRANCE INVITES MEMBERS OF PARLIAMENT FROM THE GOVERNMENT MAJORITY, TEAM MARITIME, TO A WORKING BREAKFAST.

The aim of this group of MPs⁽¹⁾ from coastal regions is to promote a veritable policy on the sea for France, in close interaction with public and private shipping stakeholders. The attending members of the *Armateurs de France* executive committee explained the diversity of our businesses and challenges, in particular those concerning energy transition, competitiveness, the strategic fleet and marine renewable energies. Quality working relationships and debates were initiated with members of this team, who have since proven they are attentive to our needs and willing to work with us.

(1) Members of Parliament

“I wanted to get parliamentary movement in the shipping sector, by bringing together 18 MPs from the Majority, members of all commissions, from port and coastal regions, who are working to promote a true maritime ambition for our country. The Prime Minister, to whom I presented this project, was especially attentive to the creation of our Team Maritime. He asked the General Secretary of the Sea to support our legislative work.”

Sophie Panonacle, Member of Parliament for the 8th constituency of Gironde



From left to right:
First row: Stéphane Mottet, SEA-tankers; Sophie Panonacle, MP (Gironde); Jean-Marc Roué, President of Armateurs de France; Audey Dufeu Schubert, MP (Loire-Atlantique); Hervé Thomas, General delegate of Armateurs de France; Jean-Pierre Pont, MP (Pas-de-calais);
Second row: Anais Guérin, Compagnie Armoricaine de Navigation; Laurène Niamba, Armateurs de France; Alain Mistre, Corsica Linea; Philippe Louis-Dreyfus, Louis Dreyfus Armateurs; Stéphane Pousset, Pilotes de la Loire; Jean-Philippe Casanova, Fédération Française des Pilotes Maritimes
Third row: Jean-Claude Charlo, DFDS; Patrick Kerverdo, DTM; Jean-Charles Dupire, Gazocéan; Eric Bothorel, MP (Côtes-d'Armor); Gildas Maire, Louis Dreyfus Armateurs; Jean-François Tallec, CMA CGM; Bruno Joubert, Ponant

15 October

ÉLISABETH BORNE, MINISTER FOR TRANSPORT, COMES TO CONCLUDE THE SHIPPING WORKSHOP DEVOTED TO SOLUTIONS FOR INNOVATIVE MARITIME TRANSPORT IN THE FIELD OF THE ENVIRONMENT, ORGANISED BY ARMATEURS DE FRANCE AT LOUIS DREYFUS ARMATEURS' HEADQUARTERS, IN SURESNES.

French shipowners and their close stakeholders (port operators, logistics and ship building actors, institutional representatives, financial partners and legal advisers) met to discuss the outlook for their industry in the light of major international regulatory changes with, ultimately, complete carbon-free shipping. Their goals: to refine their positions faced with the major environmental challenges, capitalise their solutions and put their needs into perspective. Existing technical solutions, concrete measures for carbon-free transport, support for shipowners for transition and available methods of funding were on the agenda.

Following this session, Élisabeth Borne, minister for Transport, came to meet shipowners. One fact was at the heart of the discussions: **while the development of shipping is a major economic**

challenge for the country, the initiatives already undertaken by shipowners to reduce the impact of their activities on the environment and on public health, must be encouraged.

Élisabeth Borne noted “with satisfaction that shipowners believe in and act on these major issues for the Government and for the future of our fellow citizens and our country.” She proposed a partnership working method to the actors of the maritime economy. The workshop was therefore “the opportunity to plan for a shared agreement between the Government and the sector, for a more competitive, more attractive and cleaner shipping sector and economy”. She also underlined that France would be supporting measures, including optimisation of ship speeds, that would enable IMO goals to be met.



From left to right Philippe Louis-Dreyfus, Chairman of the Supervisory Board of Louis-Dreyfus Armateurs, Élisabeth Borne, Minister for transport, Jean-Marc Roué, President of *Armateurs de France*

3 november

AHEAD OF THE 11TH EDITION OF THE ROUTE DU RHUM, *ARMATEURS DE FRANCE*, INVITED BY CLAUDE RENOULT, MAYOR OF SAINT-MALO, ORGANISES A DEBATE AT THE TOWN HALL: “MAJOR CHALLENGES IN 2019 FOR FRENCH SHIPPING”.

Moderated by Stanislas du Guerny, journalist from Les Échos, the debates between shipowners and politicians dealt with **ecological transition, Brexit and the future of the seafarers’ welfare scheme in the context of the Government’s universal retirement scheme.**

Close to the next IMO deadline: the entry into force of the Global Cap 2020 on 1st January 2020 (requirement to use fuel with a

sulphur content of less than 0.5%), different solutions are available to merchant ships: installation of scrubbers, use of alternative fuels, wind power, or ship speed optimisation. For Jean-Marc Roué, Mayor of Saint-Malo, goals and guidance need to be given to shipowners: “*the issue is not a technical one, but a political one*”.

Also on the agenda: Brexit and worries weighing on the sector, and the future of the ENIM¹, the

specific seafarers’ social welfare scheme which has come through the centuries as it meets the specific constraints of a seafarer’s career. Sensitive to seafarers’ attachment to this scheme and satisfied with the advantages it offers both in terms of social right guarantees and competitiveness, shipowners would like to preserve its characteristics in the new retirement scheme.

⁽¹⁾ *Établissement National des Invalides de la Marine*



From left to right:
First row: Jean-Emmanuel Sauv , President and co-founder of Ponant; Jean Bizet, Senator from la Manche department; Isabelle Thomas, MEP, Jean-Marc Rou , President of Brittany Ferries and of Armateurs de France; Claude Renault, Mayor of Saint-Malo; Liliana Tanguy, MP (Finist re), Michel Vasp , Senator of the C tes d’Armor department; Gilles Lurton, MP (Ille-et-Vilaine)
Second row: Herv  Thomas, General Delegate of Armateurs de France; Fernand Bozzoni, President of Socatra and Treasurer of Armateurs de France; Jean-Fran ois Rapin, Senator of the Pas-de-Calais department; Jimmy Pahun, MP (Morbihan); Gildas Maire, CEO of Louis Dreyfus Armateurs; Jean-Philippe Casanova, President of the F d ration Fran aise des Pilotes Maritimes

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ENVIRONNEMENT

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— French Shipping, a Progressive Environmental Industry

Reducing Air Emissions: a Major Priority

NEW GLOBAL GOALS TO COMBAT GREENHOUSE GASES

Armateurs de France was part of the French delegation to the 72nd session of the Marine Environmental Protection Committee (MEPC) held by the International Maritime Organisation (IMO) in London from 9 to 13 April 2018. Following the discussions, **the IMO defined its strategy to reach peak greenhouse gas emissions from international maritime transport as soon as possible and to reduce the total volume of annual emissions by at least 50% by 2050, compared to 2008, while at the same time continuing measures to gradually eliminate them.** The adoption of this strategy for the maritime industry is a historical step in the fight against climate change.

Armateurs de France welcomes the consensus that led to agreement and notes with satisfaction that the **IMO has confirmed its role as primary regulator of international maritime transport.** This is a strong sign of the importance of dealing with these issues globally. The IMO's determination will prevent the adoption of regional measures that would weaken the rules of fairness between States.

Although carbon abatement solutions for the maritime industry are still in development, French shipowners are already committed to continuing to reduce their emissions to respect the temperature curve in the Paris Agreement. The primary goal is to maintain the worldwide temperature increase well below 2 degrees Celsius. To achieve this, shipping stakeholders are studying a wide range of solutions. From the use of Liquid Natural Gas (LNG) as a transition marine fuel, to regulating ship speeds, via improving their energy efficiency index or connecting ships to the mainland electricity grid during port calls, green innovation in the maritime industry is growing.

Ship Energy Efficiency Index

In 2011, the IMO adopted energy performance measures that were legally binding on the whole industry worldwide, and applied to all countries. Several reference levels were drawn up, relating to the quantity of fuel each type of ship could burn according to its capacity. New ships for example, must comply with and improve these reference levels, which will become increasingly strict over time. **In order to meet CO₂ reduction targets, the International Chamber of Shipping (ICS) is encouraging the IMO to strengthen new ships' Energy Efficiency Design Index (EEDI) and the Ship Energy Efficiency Management Plan (SEEMP) for all existing ships.** For the latter, the shipowner can decide to introduce technical (propeller, heat exchange system, etc.) or operational measures (cleaning below the waterline, better trip preparation, etc.) to meet greenhouse gas reduction requirements.

Optimising Ship Speed

Among the SEEMP operational measures, ***Armateurs de France* is promoting ship speed regulation as a simple short-term measure, easily verifiable, and immediately available to reduce greenhouse gas emissions in the maritime sector.** Following a workshop organized by *Armateurs de France* last May, shipowners have confirmed they are in favour of optimising speed and more specifically reducing the speed of ships transporting dry bulk and liquid bulk. Reducing speed by 10% can lead to a reduction in emissions of up to 30%! In order to consolidate our position and support the action of the French delegation to the IMO, the companies Socatra and Louis Dreyfus Armateurs launched a working group in the autumn of 2018 with students from the Kedge Business School⁽¹⁾ to study the effects of reducing speed on their business sectors.

(1) French leader in international commerce training with unique Maritime expertise

FRENCH SHIPOWNERS WILL
CONTINUE TO REDUCE THEIR
EMISSIONS TO MEET THE
TEMPERATURE CURVE IN
THE PARIS AGREEMENT.

European MRV Regulation

2018 was the first year of emissions monitoring by the MRV regulation (*Monitoring Reporting and Verification*) based on monitoring plans drawn up and validated in 2017. Implementation of this obligation was not an issue, but shipowners are still waiting to know if, and to what extent, this scheme will be aligned with the IMO's CO₂ Data Collection System which entered force on the 1st March 2018. The Commission conducted a preliminary consultation in 2017 which led to a draft amendment to the regulation at the beginning of 2019.

SULPHUR EMISSIONS: LESS THAN A YEAR BEFORE THE NEW REGULATION

Leading up to 1st January 2020 and the entry into force of the Global Sulphur Cap 2020², maritime companies are concerned: will compliant fuel be available everywhere in the world, especially for ships engaged in tramp trade? The maximum admitted sulphur content will fall from 3.5 to 0.5% outside the SECA zones and it will be up to Marpol³ States to ensure availability of compliant fuel. Fuel supplier registers are usually only simple lists today. These fuels have not undergone any



LNG PROPULSION

LNG has many advantages: proven technology, a supply chain to be reinforced but based on existing infrastructures and skills easy to develop, remarkable energy efficiency combined with a very positive environmental footprint (reduction in CO₂ emissions of around 20 %, near absence of discharge of sulphur and nitrogen oxide and fine particles). Three member companies of *Armateurs de France* have pioneered by fitting their new ships with LNG-powered engines:

PONANT

1

**POLAR
EXPLORATION SHIP**

COMMANDANT CHARCOT
DELIVERY PLANNED:
SPRING 2021

BRITTANY FERRIES

2

FERRIES

HONFLEUR
DELIVERY PLANNED:
AUTUMN 2019

SALAMANCA
DELIVERY PLANNED: 2022

*Built by Stena,
but chartered by Brittany Ferries*

CMA CGM

9

**CONTAINER SHIP
22 000 EVP**

DELIVERIES PLANNED:
2020-2021

(2) Regulation adopted in October 2016 by the IMO which fixes the sulphur content of marine fuels at 0.5% (compared to 3.5% currently) from 2020

(3) IMO Convention on the Prevention of Marine Pollution



quality testing that would allow admission to the register. Thus, implementation of permit schemes by the States could, on the one hand improve fuel quality identification, and on the other hand, reduce the safety risks linked to bad quality fuel. A similar system has already been implemented in Singapore where a bunker barge had its permit withdrawn. The ICS also welcomed this sanction and noted improvements in the country's supply chain. *Armateurs de France* insists on the need to hold bunker barges responsible and approves this permit system.

As part of the Marpol Convention, **France is also studying the relevance of establishing an Emission Control Area in the Mediterranean Sea.** It conducted an impact assessment and the undeniable benefits of capping emissions were publicly presented at the start of 2019. Other coastal countries and above all the IMO now need to be convinced. Jean-Marc Roué, President of *Armateurs de France*, spoke when the results of the study were presented: "Additional reduction of emissions in the Mediterranean is a good initiative. However, we are concerned about the draft regulation deadlines which will require considerable investment by our industry, just a few years after the Global Cap 2020 was implemented. The application of Global Cap 2020 must be supported by all freight sectors. A suitable and rigorous schedule that applies to all ships in the Mediterranean seems essential for the ECAMed. Rapid entry into force will not be possible without the creation of a Mediterranean or European support fund for the sector, for example to encourage innovative and virtuous devices that will also reduce particles and greenhouse gas emissions".

ARCTIC WATERS

***Armateurs de France* supports the French authorities in banning the use of heavy fuel by merchant ships in the Arctic.**

After making the Polar Code mandatory for ships certified

by the SOLAS Convention, the IMO's Maritime Safety Committee started the second phase of work on the Polar Code concerning non-SOLAS ships, primarily fishing vessels, private yachts and domestic navigation.

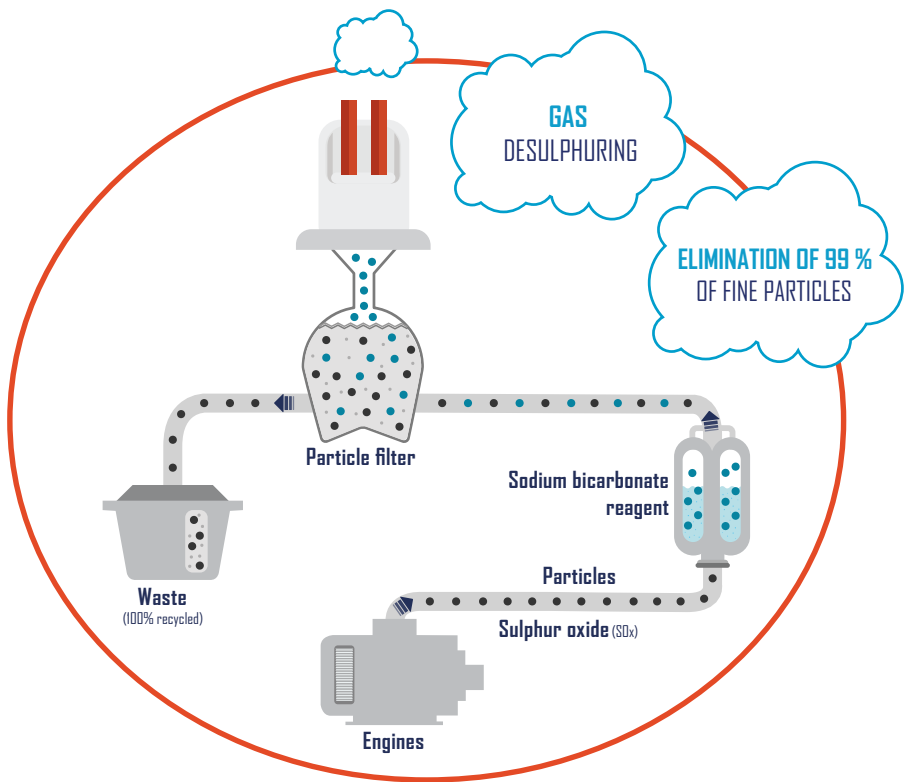
A PUBLIC HEALTH IMPERATIVE: ELIMINATING PARTICLE EMISSIONS

While sulphur and nitrogen emissions in maritime transport are already regulated, particle emissions are not yet so.

Therefore, to anticipate any international debate on this issue, a national reflection has been launched. The maritime affairs department at the Ministry of Ecological Transition and Solidarity [MTES] has created a “Particles” working group in which *Armateurs de France*, La Mériidionale and Brittany Ferries are actively involved. **French shipowners are jointly piloting a sub-working group in charge of conducting a measurement campaign to identify ships’ real particle emissions before and after the installation of innovative equipment to reduce these emissions.**



Within the context of this “Particles” working group, La Mériidionale is experimenting on its hybrid ship, Piana, to eliminate both sulphur oxide and fine particle emissions by means of an innovative and safe particle filter. It enables dry desulphuring of exhaust gases and the elimination of fine (PM10/PM2.5) and ultra-fine (<PM1) particles.



THE PARTICLE FILTER TESTED BY LA MÉRIDIIONALE: A WORLD FIRST

Shore-to-ship Supply

In 2019, Corsica Linea equipped three of its ferries with a cold-ironing system in the port of Marseilles. During the port call, this shore connection eliminates noise emitted by the engine, but also its combustion gas releases. La Mériidionale’s three ships have already switched to an electrical supply, connected between 30 minutes after passenger landing and 2 hours before undocking. **Saving: between 2 and 4 tons of diesel per ship during the 12 hours of daily port call, or a 30% reduction in the fleet’s fuel consumption. Efforts made are paying off.**

In the ports of Ajaccio, Bastia and Propriano where La Mériidionale’s ships call, it is not possible to connect ships to the shore electricity grid for technical reasons. **La Mériidionale has therefore imagined an innovative solution using liquid natural gas, a technology that is flexible, ecological and economical.** While this technology is promising, for Corsica, it raises several difficulties. This system cannot be deployed without investment by local authorities to install the necessary equipment at berth. A change in international regulations on LNG transport is also necessary: currently, this regulation limits the number of passengers that can be transported at the same time as LNG Containers to be conveyed from mainland France to Corsica, to 50 (instead of 650).

Shipbreaking: Matching Supply to Demand

The European regulation on ship recycling, among other provisions, provides that from 1st January 2019, ships flying the flag of a EU Member State can only be dismantled in a facility approved by the European Union. The Commission is in charge of approving recycling facilities, according to a procedure that is different for yards in a European territory or in a third country.



The list of yards approved by the Commission has for a long time remained insufficient in terms of annual recycling needs, and too limited to Europe, thus not reflecting the reality in this sector.

An implementing decision of 30 November 2018 added three non-European shipyards to this list. They were one American facility and two Turkish facilities. Their approval increases approved capacity by 70%, and is an encouraging sign. The European Union needs to continue in this direction, to prevent shipowners deciding to recycle a European ship, materially unable to comply with European regulations, due to insufficient suitable facilities. It should also be noted in the context of Brexit, that British yards will need to be temporarily removed from the European list, in order to be approved by the procedure applicable to third countries.

Port Reception Facilities: Review of the Directive

2018 saw the opening and almost the closure of the review of the European directive on port reception facilities. The goals of this directive remain valid: ensure that ships can discharge their ship-generated waste and cargo residues at port, to avoid discharges at sea. However, the text is interpreted differently from one State to another, and even from one port to another.

The proposal published in January by the Commission was informally approved in the dialogue in December; it could therefore be adopted and published soon. While the framework of the text remains the same (obligation for the States to ensure adequate port reception facilities, at an incentive cost, and ships prohibited from leaving the port without discharging waste and residues), the amendment includes the following changes:

- More precise definitions, to reduce the risk of differing interpretations, for example, concerning the notions of “sufficient storage capacity” or “regular port call”
- Strengthening of the scheme applicable to fishing and recreational sectors
- Discharge methods should not unduly lengthen port calls
- Increased consultation of port users and better access to information regarding reception facilities, discharge procedures and fees



- Establishment of a link with the maritime single window directive ... which is currently being updated, and according to methods that impose additional administrative burden on the ship, thus contrary to the maritime single window directive
- Maintenance of possibility for ships to benefit from the discharge exemption or an exception. For exceptions, the Commission will specify the methods of calculating on board storage capacity by means of a delegated act. For exemptions, the criteria are specified and an ad hoc certificate has been implemented.
- Fees: the distinction between direct and indirect fees is maintained, but the calculation of the indirect fee has been clarified. Added to optional reductions in direct fees already in the text, is a mandatory reduction for short-sea ships and 'green' ships. In addition, it is planned in that discharge of ship-generated waste will not be subject to a direct fee, if the discharge remains below a ceiling. Fees will be transparent and verified.

Armateurs de France is happy with the results of the legislative procedure, although we regret that the clarifications in the Commission's orientations and the recommendations of the European Maritime Safety Agency (EMSA) are not included at this stage. Let us hope that the implementation acts will include these texts, which are based on collaborative work with the industry.

BALLAST CONVENTION

Since the Convention entered into force in September 2017, *Armateurs de France* is continuing to work with its members to

apply this measure which consists of controlling invasive aquatic species by managing ships' ballast waters.

SECURITY | SAFETY

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— Always Active in Safety

Ship Inspection: New Reform

Armateurs de France, for more than a year working with the Department of Maritime Affairs in the MTES¹, supports the reform that aims to extend delegation of inspections of ships over 24 metres to recognized classification societies. This reform does not concern some certifications² nor certain types of ships: passenger ships, nuclear-powered ships and pleasure crafts used for commercial purposes, sailing or categorized as historical sailing pleasure crafts. Since 2012, inspection of cargo ships over 500 gross tonnage engaged in international shipping has been delegated to these classification societies. **The changes did not have a negative impact on the level of compliance of these ships with international or French provisions. This can be seen from the excellent classification in 2018 of the French flag by the Paris Memorandum of Understanding.**

Asbestos and Hazardous Materials Inventory: 2 in 1

The decree of 3 October 2017 on the prevention of asbestos risks on board ships, requires shipowners to look for the presence of asbestos³ and to take the necessary measures according to its state of conservation, from 1st July 2018 or 1st January 2019 if a technical asbestos file has already been opened.

It would have been better had this asbestos inspection been coordinated with the European regulation as it only requires existing ships to keep an inventory of hazardous materials from 31 December 2020. **The entry into force of these two regulations, two years apart, risked generating heavy financial investment for shipowners. Armateurs de France thus participated in studying the best practices for applying this decree and worked hard to ensure shipowners only had to conduct one inspection and one inventory, including asbestos.**



(1) Ministère de la transition écologique et solidaire (Ministry for Solidarity and Ecological Transition)

(2) Maritime Labour Convention (MLC), Implementation of International Safety Management (ISM), International Ship and Port Facility Security Code (ISPS)

(3) Except for exceptions arising from the place of construction and maintenance of the ship

— The 100th IMO Maritime Safety Committee

SEEN BY DAMIEN CHEVALLIER, ALTERNATE PERMANENT REPRESENTATIVE IMO & MARITIME ATTACHÉ TO THE FRENCH EMBASSY IN THE UK

“2018 was a year rich in celebrations for the IMO. March saw the 70th anniversary of the adoption of its founding agreement. November was the occasion to celebrate the 100th Maritime Safety Committee (MSC), the oldest committee in the organisation. From the first MSC, with the 1960 SOLAS, prescriptive and deterministic, to the 100th committee on autonomous ships and rules by targets, methods and technologies have indeed changed!

The MASS (Marine Autonomous Surface Ship) is the new favourite of the MSC. Equipment manufacturers’ speculations or a new page in maritime history? Are we not creating two-speed shipping? Are we moving towards a disappearance of the seaman or on the contrary, a change in the profession? Opinions are divided and the issues raised numerous. However, no operator can afford to miss this major evolution.

For the committee, one question is urgent: how will these ships, with varying degrees of autonomy, be operated? How will IMO agreements, all based on the principle of a crew on board, need to be modified? The solution requires legislative definition.

The French delegation, led by the Permanent Representation and the Department of Maritime Affairs, with the participation of the French Association of Ships’ Captains, Armateurs de France, the Bureau Veritas, the Maritime Cluster and Naval Group, is working hard on this issue. We have taken the leadership to analyse some chapters of the SOLAS agreement and the SAR agreement.

The aim is to have an analysis by 2020, and to start working on amending international legislation. At the same time, work is also being undertaken to define and harmonise the testing of these ships.

The one-hundredth committee is not just about the MASS - there are many other issues. **The IMO’s view on the rules for classification societies is one of them.**

Until recently, the IMO imposed no requirements. However it has now implemented Goal Based Standards for drawing up rules for classification societies and reserves a right of review, by means of audits, and a power of decision. This committee adopted the latest directives that govern the audits for the years to come. **It is likely that this mechanism will get rid of the least serious of the classification societies in international shipping. This will be a real bonus for maritime safety.**

Finally, this committee cannot be mentioned without speaking of other issues that merit our attention, such as the Polar Code to be applied to fishing vessels, the safety issues surrounding the use of heavy fuels of variable quality or the accident rates in passenger ships on domestic voyages.”



— For Safer Navigation

Reinforced Passenger Checks to Combat Terrorism

Terrorist acts at sea, especially on passenger ships, are a risk that some shipowners already guard against by checking all passengers before boarding. The decree of 16 July 2018 on access and circulation conditions in restricted access areas in ports and port facilities and on the issuance of tickets, now makes passenger checks on board cruise ships and ferries mandatory. The goal: to prevent the introduction of any prohibited items (weapons, explosives, etc.) into the ship's public spaces.

Armateurs de France worked in cooperation with the General Directorate of Infrastructures, Transport and the Sea (DGITM) for almost two years to implement an efficient checking system suited to the realities in the field. Eagerly awaited, as it serves as a strong link in the security chain, the PNR (Passenger Name Record) is almost ready. French shipowners are delighted. It is absolutely necessary that the use of passenger data be at the heart of these checks.

Merchant Marine and French Navy

As a result of Brexit, the Maritime Safety Center for the Horn of Africa¹, which monitors shipping in the Gulf of Aden 24/7, will be relocated from Northwood, in the United Kingdom to Brest. This move is part of a joint Franco-Spanish project, with Spain hosting at the same time, in Rota, the Headquarters of the Atalanta operation fighting against piracy in the Indian Ocean. *Armateurs de France* involved in the debates on the move, are delighted with the strong ties between the French Navy and the Merchant Navy which are concretised twice a year during Navy - Shipowners meetings.

Cybersecurity is now a reality

Despite the mechanical appearance of ships, the maritime sector has benefited from the explosion in new technologies to automate its processes, and improve efficiency, profitability and competition. This digitisation comes with increased interconnectivity between all information systems, leading to considerable risks.

THE SHIPPING PNR IS EAGERLY EXPECTED AS A STRONG LINK IN THE SECURITY CHAIN.

PIRACY IN 2018²

Since 1st January 2018, 201 incidents of piracy and armed robbery committed against ships were reported (compared to 180 in 2017). 143 ships were boarded, there were 34 attempted attacks, 18 ships were shot at and 6 ships were hijacked. During 2018, 141 crew members were taken hostage, compared to

92 in 2017. 79 of the 201 incidents were recorded in the Gulf of Guinea, twice as many as in 2017, with 41 kidnappings of seafarers in Nigeria. Figures for the Horn of Africa are down due to the Atalanta operation which deploys naval forces off the Somali coast. Adopted in 2008, in July the Council of the

European Union extended the mandate for this operation until 31 December 2020. *Armateurs de France* hopes that these measures will also be implemented in the Gulf of Guinea to reduce piracy and protect seafarers passing through these areas.

(1) MSC-HOA, Maritime Security Centre – Horn of Africa

(2) Source: Annual report of the IMB - International Maritime Bureau of the ICC (International Chamber of Commerce)

It is therefore essential that cybersecurity measures be put in place. Fully aware of these challenges, *Armateurs de France* is participating with the France Maritime Committee in the work led jointly by the General Secretariat of the Sea to draw up a map of the specific needs of each sector and to draft an initial national plan: the creation of a Maritime Cybersecurity Council (C2M2). Its role will be to safeguard the maritime sector, identify industrial projects, support preventive measures, provide training and cyber-resilience and create a national centre for the coordination of maritime cybersecurity.

At the same time, *Armateurs de France* was actively involved in the work carried out by the Department of Maritime Affairs and the ANSSI³ to appoint Operators of Essential Services (OES) following the decree of 23 May 2018 on the security of networks and information systems of essential services and digital service providers.

Migrants: Armateurs de France Supports SOS Méditerranée

French shipowners are very concerned about the situation in the Mediterranean Sea, which lies at the crossroads of two problems: rescue and migration. In 2018, the United Nations High Commission for

Refugees stated that almost 2,300 people died or disappeared in the Mediterranean while attempting to cross.

For *Armateurs de France*, there is no difference today between the status of migrant and that of a shipwrecked survivor. By means of a very clearly defined legal framework, the captain of a ship has a duty to provide assistance to anyone in a situation of distress at sea. However, picking up hundreds of shipwrecked survivors, some of whom require medical attention, raises numerous issues on board merchant ships, not suited to the situation.

This context, already complex, worsened in mid-June 2018 with the refusal to allow two ships operated by NGOs into an Italian port. On 25 June 2018, a merchant ship, the container ship Alexander Maersk, spent several days waiting for a port to accept to welcome the 113 migrants rescued off the Italian coast. The law however is clear when it comes to States who have signed up to these agreements: "It is the responsibility of the government responsible for the SAR region in which the shipwrecked survivors were picked up to provide a safe landing place or to ensure that such a safe place is provided". Unfortunately today, ships are often faced with extraordinary situations in which it is impossible to safely and rapidly land migrants rescued at sea.

(3) National Agency for the Security of Information Systems



SHIPS ARE OFTEN FACED WITH
EXTRAORDINARY SITUATIONS
IN WHICH IT IS IMPOSSIBLE TO
SAFELY AND RAPIDLY LAND
MIGRANTS RESCUED AT SEA.



“

.....

Convinced of the essential role of SOS Méditerranée, *Armateurs de France* supports its action and is attentive to the words of its President, Francis Vallat, and its director, Sophie Beau.

2018, a terrible year! So much so that SOS MEDITERRANEE was forced to suspend operations and return the Aquarius in December, after rescuing 30,000 people from drowning since March 2016. With the hindrance of NGO boats, the indecision of European powers, and the increasingly erratic behaviour of the Libyan coast guard, the exercise was a difficult one. It was difficult for the crews at sea faced with the unacceptable, and for the shore teams exposed to a permanent situation of crisis. We also had to face closure of almost

all the humanitarian area in the Central Mediterranean under the active action of Italy, or the passive action of other States who couldn't or wouldn't do anything to improve humanitarian action at sea. The foundations of SOS MEDITERRANEE are solid however: law and moral responsibility. Our strength lies in our ability to act and our professionalism, which we are using to actively prepare a return to the sea. We will find a new ship. It may take time as the responsibility is huge, as is the requirement. It means we need to re-examine offers

under all aspects, including political, as our return to the area must be long-term. In the meantime, awareness to high sea rescue exclusively, continues in all regions of France, with remarkable results despite the accumulation of fake news, lies and violence. Citizen support is massive, and undoubtedly proportional to the enormity of the issue. As long as people continue to die at sea, as long as maritime law exists, and as long as our conscience dictates, SOS MEDITERRANEE will continue its mission.”

In 2018, Armateurs de France donated €10 to SOS Méditerranée for every invitation to its annual gala evening.



– The European Network and Information System Security (NIS) directive

INSIGHT BY THIBAUT MARREL, CYBERSECURITY SPECIALIST AT THE ANSSI

Now it has been transposed into national law, the European NIS directive is in force in France. What does it entail?

The primary aim of the NIS directive is to protect the critical economic and societal activities of Member States. For this reason it created the notion of OES: actors who provide a service that is essential to the economy or to society based on one or more information systems. OES are required to identify and declare to the ANSSI their most critical information systems, to apply security rules to them and declare any incidents. They may also be subjected to security checks.

In shipping, what companies are concerned by this scheme?

Passenger and freight ship companies are among the operators concerned by the NIS directive. In accordance with the French implementing law, companies identified as OES should take account of the following factors: the number of users depending on the service provided by the company and the dependency of other sectors of business on the service, the seriousness and duration of the consequences of an incident, the market share of the company and the geographic scope of its business,

and finally the existence of alternative means to supply the service in consideration.

What new actions will these companies have to take?

Newly appointed OES have three months to declare to the ANSSI their essential information systems, i.e. those for which a security incident would have a considerable disruptive effect in view of the services provided. The 23 security rules specified in the order of 14th September 2018 will have to be applied to these information systems, within three months to three years depending on the rule. The rules concern technical and organisational IT hygiene measures. They aim to guarantee an adequate level of cybersecurity.

Are ships at sea concerned?

Ships are specifically excluded from the scope of application of the European directive. On-board information systems are not therefore directly concerned by the requirements imposed on OES. However, their security is no less crucial for the sector. For this reason, the ANSSI is working on ship cybersecurity, particularly through awareness and advice for shipowners⁽⁴⁾.

(4) See the Best Practices for CyberSecurity On-board Ships, available in French and English from the ANSSI website (www.ssi.gouv.fr).



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— Europe, at the Heart of Shipping Competitiveness

Third mobility package: Towards Simplified Maritime Procedures

Presented by the European Commission in May 2017, the third mobility package intends to review some European transport rules, focusing on road transport. **It also includes a section that aims at simplifying procedures, especially in the maritime sector.**

Two proposed regulations are aimed at shipowners:

The first establishes a single window environment in Europe comprised of national single windows, whose operating methods will be strictly controlled at European level with:

- formats, codes and data harmonised throughout Europe,
- a single window for each Member State, ensuring data is only transmitted once at each port call,
- Member States nominally responsible for managing declarants (registration, management, control), in accordance with the rules implemented by the Commission. For instance, a user registered in one State is considered as registered in all the single windows of all Member States.

While this proposal does not, strictly speaking, create a European single window through which all declarations

would pass before being redistributed to the competent national administrations, it does limit the power of Member States to take initiative in terms of data, and removes initiative in terms of data format.

On 3rd December 2018, the Council adopted a general approach in line with this proposal and even, surprisingly, strengthened it, as it makes it difficult to add data to the European “central core”. This means that it is likely that an agreement will be found with the Parliament quickly and easily. Subsequently, the delegate acts required to define codes and formats will be drawn up.

The second proposed regulation aims at increasing the use of electronic transport documents.

More specifically, the aim is to:

- Enable transport operators to issue statutory transport data in electronic format to the competent public authorities.
- Specify the electronic format in which statutory transport data must be provided by the public authorities, and by the economic operators who so wish.
- Authorise the Commission to compile data bases and to define the common procedures to process information across borders.



THE 3RD MOBILITY PACKAGE INCLUDES A SECTION AIMED AT SIMPLIFYING PROCEDURES, PARTICULARLY IN THE MARITIME FIELD.

- Ensure the availability, integrity, confidentiality and security of the data managed.
- Describe the conditions necessary for transport operators to be able to use electronic transport documents.
- Implement a certification system to verify that these conditions are respected.

This text is less consensual for Member States, and the Council’s work has not progressed very far. However, the Parliament should adopt a position before the end of its term.



As part of the 3rd mobility package, maritime safety legislation was very positively evaluated (Port state control, traffic monitoring, flag State, accident investigations). No modifications are therefore considered necessary.

Consortia: Armateurs de France argues for maintaining the block exemption

Consortia are a form of operational cooperation in which liner shipowners share space available on board their ships, and pool the ships required to run a line. This offers economies of scale and enables them to better use space on board ships¹.

In May 2018, the European Commission started a review of the “consortia regulation”. The Commission is not calling the existence of consortia into question, but is questioning the need to maintain the block exemption, in view of developments in the market over the past few years. This is a recurrent exercise, conducted every five years as the current expiry period draws near. The fact that it is routine in nature does not take away from the seriousness of the issue: **in a changing context,**

the block exemption is even more important, as it enables liner companies to continue to offer diversified services by lowering barriers to entering the liner market.

Armateurs de France participated in the drafting the ECSA² and WSC³ contributions in May and December 2018, and sent its own contribution to the consultation in December. The professional organisation also encouraged its members to answer DG COMP⁴’s detailed questionnaire so that the Commission has all the elements necessary to extend the exemption regulation. In December, French shipowners also presented their position to the transport and competition authorities, and answered their questions on the operation of consortia, their importance for French shipping, and the added value of the Block Exemption Regulation.

The European Union, a Significant Actor on the International Stage

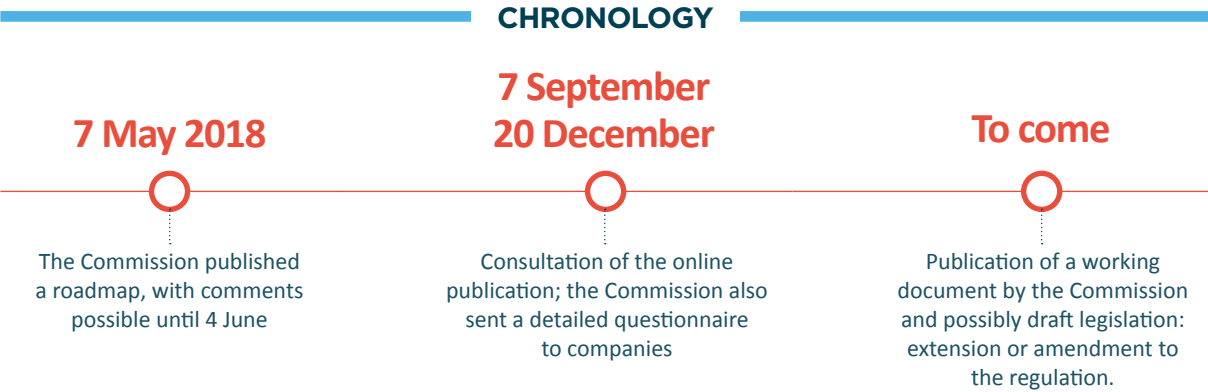
Not a week goes by without new restrictive measures being published in the Official Journal of the European Union and sent to the members of *Armateurs de France* so they can take the necessary measures. **During the year 2018, the news was dominated by the case of Iran, and the renewed American sanctions,** after Donald Trump announced on 8 May that the United States was leaving the Vienna agreement on Iran. A unilateral act? Not exactly, as American sanctions hit widely due to the omnipresence of the dollar in world trade. **The European Union, wishing to preserve the 2015 nuclear agreement, took a set of measures to limit the scope of the American decision:**

- Reactivate the “blocking statute” forbidding European companies from complying with the extra-territorial effects of sanctions fixed by a third country, unless authorised to do so by the Commission. Until the

summer of 2018, this regulation was mainly aimed at sanctions towards Cuba; it was thus amended to apply to Iran. In preparing this measure, the Commission’s services consulted the ECSA⁶; it was made clear that the presence of shipowners in the United States makes violation of American law rather delicate...

- Strengthen cooperation, specifically by preparing a workshop on maritime issues at Bandar-Abbas, held in January 2019.
- Offer the EIB a guarantee⁷, that would enable it to fund business in Iran and support European investment there.
- Install an exchange pool that would enable trade with Iran to continue. This instrument was launched at the end of January 2019.

Armateurs de France also points out that future strengthening of environmental constraints will lead to an increase in operating costs, making it all the more necessary to safeguard consortia.



“Pooling maritime resources in the same service optimises capacity, creates economies of scale and improves the quality of the services offered to shippers, without hindering competition. Shipowners who are members of the same consortium are in fact in competition with each other. Moreover, consortia are the only means available for some shipowners to be present in a trade sector⁵, for which they would otherwise be unable to find the capacity. The investment needed to get the required number of ships into service is increasingly high: ten to twelve ships for an Asia-Europe service, or a total investment of 5 to 8 billion dollars. Any restriction on current context risks leading to concentrations, and dominant positions.”

• Raymond Vidil, CEO of Marfret

(1) Obviously, any price fixing is prohibited
 (2) European Community Shipowners’ Associations
 (3) World Shipping Council
 (4) Directorate-General for Competition of the European Commission
 (5) A market
 (6) European Community Shipowners’ associations
 (7) European Investment Bank

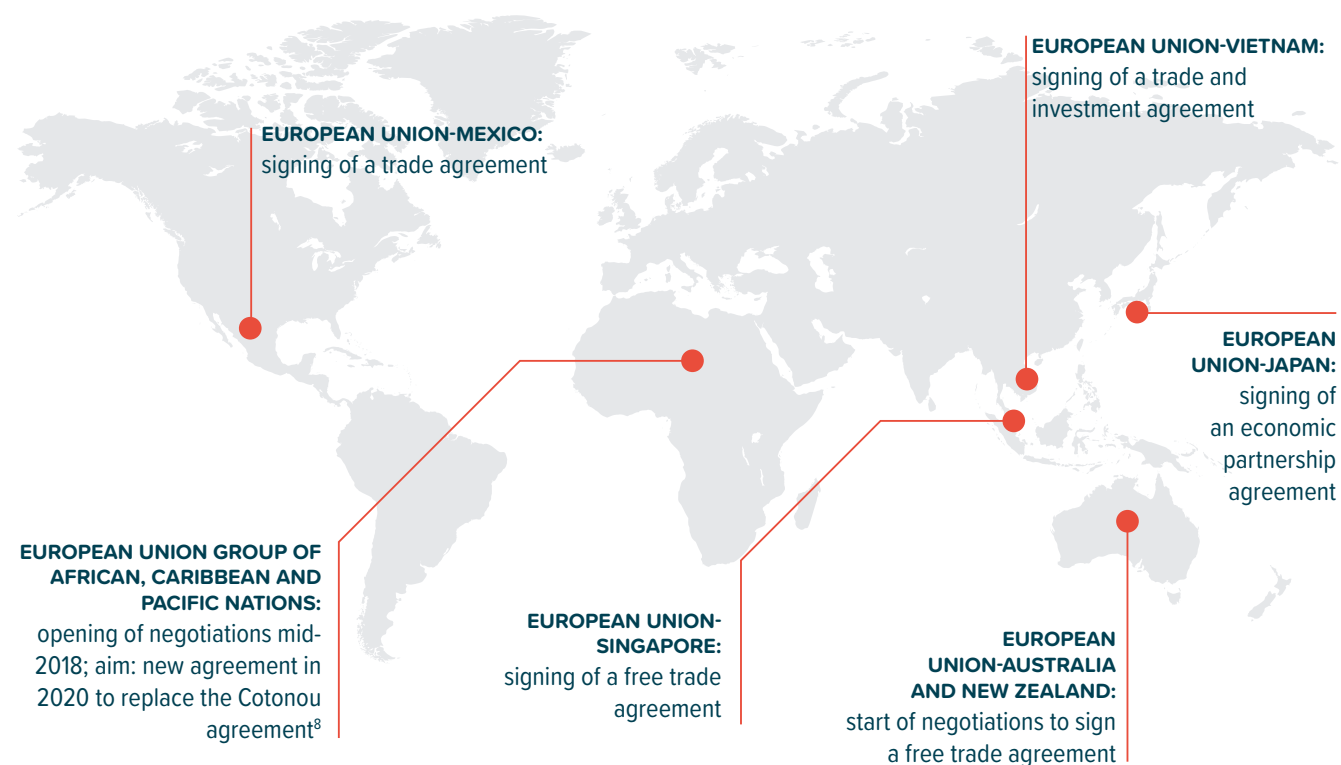
WHAT IS A BLOCK EXEMPTION?

Block Exemption Regulations (BER) are instruments that enable the Commission to exempt a category of similar agreements whose positive repercussions on competition are considered more important that its anticompetition effects. This means that the agreements (as long as they fulfil the exemption conditions) do not need to conduct an auto-evaluation or seek the approval of the competition authorities.

The Commission highlights the existence of multisector guidelines, which they say could replace the BER and guide shipping companies. *Armateurs de France* considers that these tools are far too general, and that the characteristics of consortia are far too specific for this to be possible. Removing the BER would be a leap in the dark that would destabilise the sector. It would be unfortunate if European companies (which are less supported by their administrations and not subject to the same checks as their competitors) were penalised, simply for legal reasons.

– Trade Negotiation News

While negotiations on a trade deal with the United States are lagging, last year was nevertheless marked by progress in negotiations with several trading partners:



⁽⁸⁾ Agreement between the European Union and the African, Caribbean and Pacific (ACP) Nations, signed on 23 June 2000 in the economic capital of Benin, following expiry of the Lomé convention. Signed for 20 years and reviewed every 5 years, this agreement includes the 79 States in the ACP group and the European Member States.

⁽⁹⁾ Vessel Sharing Agreement

FOCUS ON ALGERIA

French and European shipowners are encountering difficulties in their investments and operations in Algeria, due to increasingly unfavourable and rigid legislation which goes against current agreements. Despite the actions taken by the French and European authorities over the last seven years, the blocking persists and is accumulating:

- There are restrictions on revenue transfers (obligation to finalize port calls accounts within maximum 90 days, which is unrealistic commercially; treatment of freight received as part of VSA⁽⁹⁾),
- Foreign share-ownership is not encouraged,
- Vehicle transport is limited geographically, and the allocation of containers to a dry port is arbitrary,
- VAT on port calls has been reinstated,
- Discrimination in port dues is frequent.



LEGAL AFFAIRS

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— Strengthening the Blue Economy

The draft mobility orientation law: a driver of improvement of French flag competition?

Drawn up following the national conference on mobility in the autumn of 2017, and after several months of consultation, in November 2018, the French government presented a draft mobility orientation law, known as “LOM”. Initially, this text provided no or very few measures for the shipping sector.

Two years after the implementation of the Blue Economy law, in a chapter devoted to competitiveness in inland navigation, shipping and rail transport, the text finally includes a series of measures in favour of shipping. It serves as an opportunity to complete, simplify or improve the legislation, both in terms of social relations, the environment and safety and security in shipping.

As these measures are highly technical or require lengthy consultation with social partners to determine their precise content, the provisions need to be adopted by ordinance, within the next 12 to 18 months following the adoption of the law, depending on the issues.

Actively involved in drafting the law, *Armateurs de France* contributed to all consultations and put forward proposals to ensure the proposed measures took account of the needs of shipping companies.

While awaiting examination of the draft law by Parliament in the spring of 2019, *Armateurs de France* is working to maintain the legislative impetus started in 2016. Any changes that are likely to meet shipowners’ expectations, in particular in terms of competition, are discussed and could be presented at the next parliamentary debate.

Alongside the French government, *Armateurs de France* remains an active and vigilant partner, to ease the adoption of measures that will develop the French flag and jobs.

BBNJ: Future of International Ocean Governance

Abroad, the opening of negotiations on the future instrument to protect biodiversity outside national jurisdictions, known as BBNJ (Biodiversity Beyond National Jurisdiction), marked the year 2018.

Under the auspices of the United Nations, the goal was to draw up an international legally binding instrument, based on the Convention of the Law of the Sea (or “Montego Bay”) adopted in 1982, governing the conservation and sustainable use of marine biological diversity in areas beyond national jurisdiction. Considerable technical progress and advances in our knowledge of the oceans have made such a change necessary.

In particular, it is the Conference’s mission to address the topics of marine genetic resources, including issues concerning the sharing of benefits, management tools for marine protected areas, environmental impact assessments and capacity-building and the transfer of marine technologies.

LOM IN BRIEF

- Definition of a framework for the use of drones and autonomous ships
- Granting of a “permis d’armement” for all professional ships
- Targeted safety inspection of ships under 24 metres
- Implementation of the Nairobi Convention on the removal of wrecks
- Adaptation of the environmental infringement framework (MRV regulation⁽¹⁾, Polar Code)
- Transposition of amendments in the Maritime Labour Convention (death, incapacity and abandonment guarantees)
- Regulation of private recruitment and placement services for seafarers
- Derogation to the special seafarers’ welfare scheme
- Definition of night work and the working hours of young sailors
- Administrative and social regulation of coastal shipping activities
- Adaptation of the rules applicable to floating establishments
- Extension of prerogatives in terms of ship security searches

(1) Monitoring, Reporting, Verification



Laurène Niamba, *Armateurs de France*'s head of legal and tax affairs, is part of the group of interested experts, working on offshore governance. She explains the main challenges of these talks, ahead of the second session of the Intergovernmental Conference in New York in the spring of 2019:

"This is no small challenge, as the High Seas represent almost two thirds of our oceans and hold an extremely rich and as yet unknown biodiversity. Contrary to popular belief, the High Seas are not an area outside the law. Freedom to navigate, fish or conduct scientific research remains fundamental principle that governs this area. Today, this vast area is under threat by the direct and indirect impacts of human activities that take place there, but also by the gradual phenomenon of global warming. This new instrument should make up for the current lack of governance of the high seas firstly by specifying the scope of the freedom and secondly, by installing a legally binding framework to promote conservation and the sustainable use of biodiversity."

Like the International Chamber of Shipping (ICS), an international stakeholder and of which our organisation is a member, *Armateurs de France* underlined the need to preserve freedom of navigation on the high seas. It is also essential that the International Maritime Organisation (IMO) remains the primary competent body to develop the international environmental regulations applicable to shipping.

Adoption of the new instrument is not expected before the first half of 2020, when the fourth session of the Conference will be held.

Strategic Fleet: Concrete Measures Still to Come

On the occasion of the vote on the Blue Economy law, *Armateurs de France* warmly welcomed the ratification of the strategic fleet.

The only downside: more than two years after its creation, the composition and implementation conditions of this tool, which is essential to maintain and develop French shipping, jobs and know-how, remain to be defined.

For *Armateurs de France*, the development of a strategic fleet is more than ever necessary! With this in mind, shipping companies stand ready to define the necessary instruments with the French government and social partners, for a robust and lasting strategic fleet and a real strategy for the sector.

In particular, the three-yearly action plan, announced by the French government to modernise and renew the fleet urgently needs to be defined and implemented, training at sea strengthened and public/private partnerships facilitated.

FOCUS ON: THE PARISMAT INITIATIVE



The ParisMat initiative was launched in May 2017 by French transport insurance companies with the support of *Armateurs de France*. The goal is to promote and defend the French marine, aviation and transport insurance market.

This innovative initiative,

which brings together all actors in the French Marine Insurance Market, the first of which are insurance companies and brokers, continued in 2018 with the publication of a brochure and a special website (www.parismat.fr).

Developed with the support of expert working groups, the tools are available in English and highlight the assets of the French transport insurance market and in particular the wide range of activities covered, the development of innovative solutions and the legal and financial security that insurance companies operating in France can benefit from.



ECONOMY | TAX C5

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- 51 **Finally, employers' social** contribution exonerations to last!
- 51 ***Armateurs de France*, a Creative** Force in Fleet Funding

— The Battle for Funds Continues

Throughout the year 2018, *Armateurs de France* recalled the need for a proactive and ambitious policy in favour of competition, and concrete tools to facilitate the funding required to renew the fleet, a driver of economic and environmental performance.

Extension of the social contributions exoneration scheme, implementation of an additional depreciation mechanism for greening the fleet and the Conseil Supérieur de la Marine Marchande’s (CSMM) report on funding renewal of the fleet given to the Transport Minister, are all illustrative of the concerns of shipping companies being heard at the highest level of the French State.

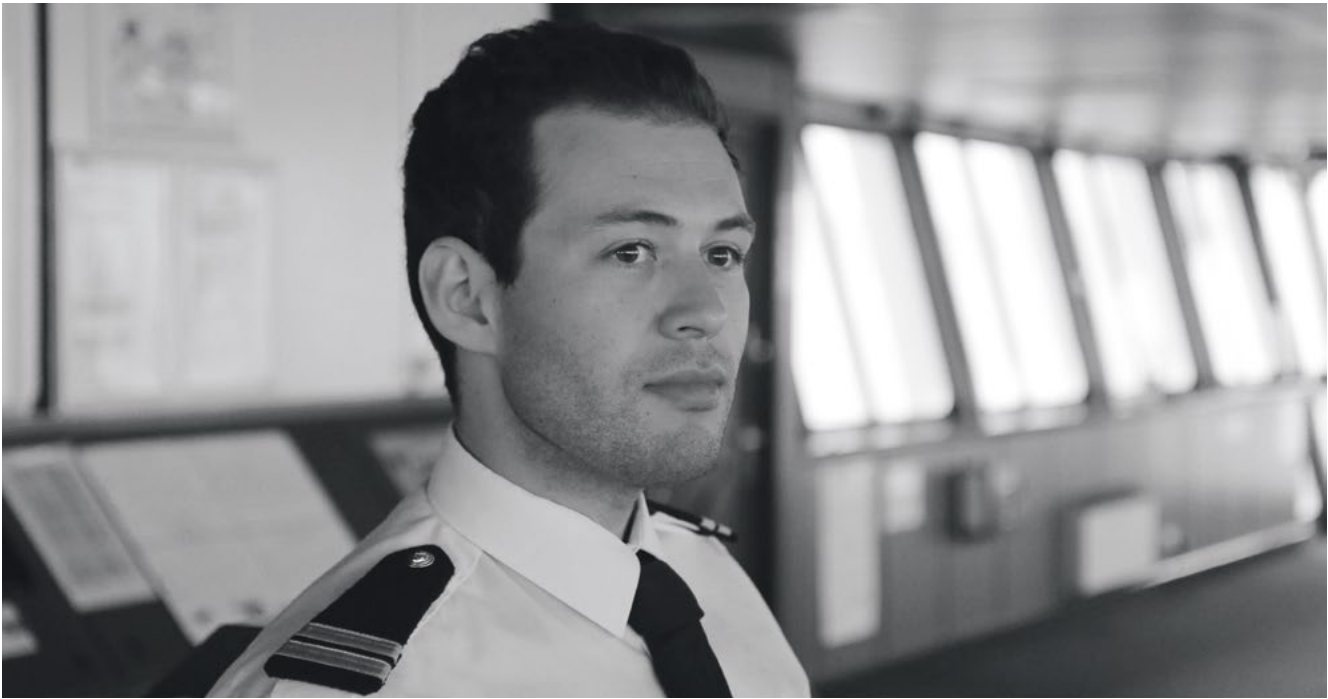
A New Tool to Fund Greening of the Fleet

With the installation of the additional tax depreciation mechanism, parliamentarians sent a strong message to shipowners, committed to energy transition but faced with the need for considerable investment. This was a

source of satisfaction for *Armateurs de France*, whose teams worked tirelessly to achieve this positive, yet small result, as it is limited to ships operating mainly in the French Exclusive Economic Zone.

Armateurs de France’s success will likely be confirmed by the European Commission; the Government has decided to attach its entry into force to the position of Brussels. This means a longer wait for shipping operators, unfortunate as the investment to make the fleet’s energy transition needs to be made rapidly.

While the mechanism, which mainly addresses a public health issue, is to be welcomed, it appears essential to validate it rapidly, and to extend the benefits to French or European flag ships navigating in community waters.



Finally, employers’ social contribution exonerations to last!

In June 2016, the Blue Economy law extended the exoneration of employer’s contributions to all sailors working on merchant ships (transport or service) operating under the French flag, and effectively subject to international competition.

In December 2018, following lengthy discussions with the French authorities, the European Commission, under EU State aid rules, finally authorised the French scheme, for a period of ten years. The Commission pointed out that the approved scheme “will facilitate worldwide competition in the sector, while preserving jobs and guaranteeing fair competition conditions within the European single market”.

To comply with the Commission’s doctrine, the Government had promised to extend contribution exonerations to sailors, covered by the seafarers’ retirement insurance, and working on board commercial vessels managed and controlled by solvent companies located on the French mainland, operating under the flag of another Member State of the European Union, the European Economic Area or Switzerland.

The decision was finalised when the draft social welfare finance law for 2019 was adopted last December. It marks the completion of a process started over two years ago, and eagerly awaited by shipowners.

Perpetuation of the scheme, essential for competition for the French flag, is excellent news for shipping companies. However, for the sector, competitiveness and environmental performance also require continuous renewal of the fleet. Regular commissioning of new ships is essential to maintain the French fleet among the most recent.

Armateurs de France, a Creative Force in Fleet Funding

Access of shipping companies to bank funding has been complex since the 2008 financial crisis. This situation is especially detrimental in a sector that needs to maintain a young, modern and safe fleet and that is planning to increase investments in the years to come, particularly to successfully meet environmental challenges.

In this context, *Armateurs de France* is actively involved in the work conducted since September 2017 by the Conseil Supérieur de la Marine Marchande (CSMM), whose conclusions were presented to the Minister for Transport, Elisabeth Borne, on the occasion of the second Shipping Workshop that took place in October 2018 at the head office of Louis Dreyfus Armateurs.

As no stone was to be left unturned (shipping fund, review of the ships' degressive depreciation period, public guarantees for French shipowners, etc.), the report highlights a series of measures to strengthen the competitiveness of tax schemes to promote the emergence of a true commercial fleet funding policy.

Rapporteur for the working group that drew up the report, Fernand Bozzoni, CEO of Socatra, explains the methods and main benefits of the scheme:

"Producing this report led us to interview almost all the economic operators working in the shipping sector, including banks; these interviews highlighted the causes and consequences of the current crisis, the undeniable assets in the French shipping sector, and finally concrete proposals to allow French shipowners privileged access to financing tools.

Among the ideas put forward in the report and supported by *Armateurs de France*, should be mentioned the promotion of alternative funding schemes - linked mainly but not exclusively to greening of the fleet - including a fund devoted to shipping finance, or a selective guarantee mechanism for loans.



CONFERENCES ON FINANCING

May 2018:
Armateurs de France

took part in a seminar entitled "Investing in the Blue Economy", organised by the Ocean Assets Institute, in partnership with the European Commission, Norton Rose Fulbright and the French Maritime Cluster. At this occasion, the participants discussed funding and innovation in the shipping sector, and got a glimpse of the new challenges facing shipowners, from energy transition to worldwide competition.

September 2018:
Armateurs de France
hosted a BIMCO seminar during which they presented two

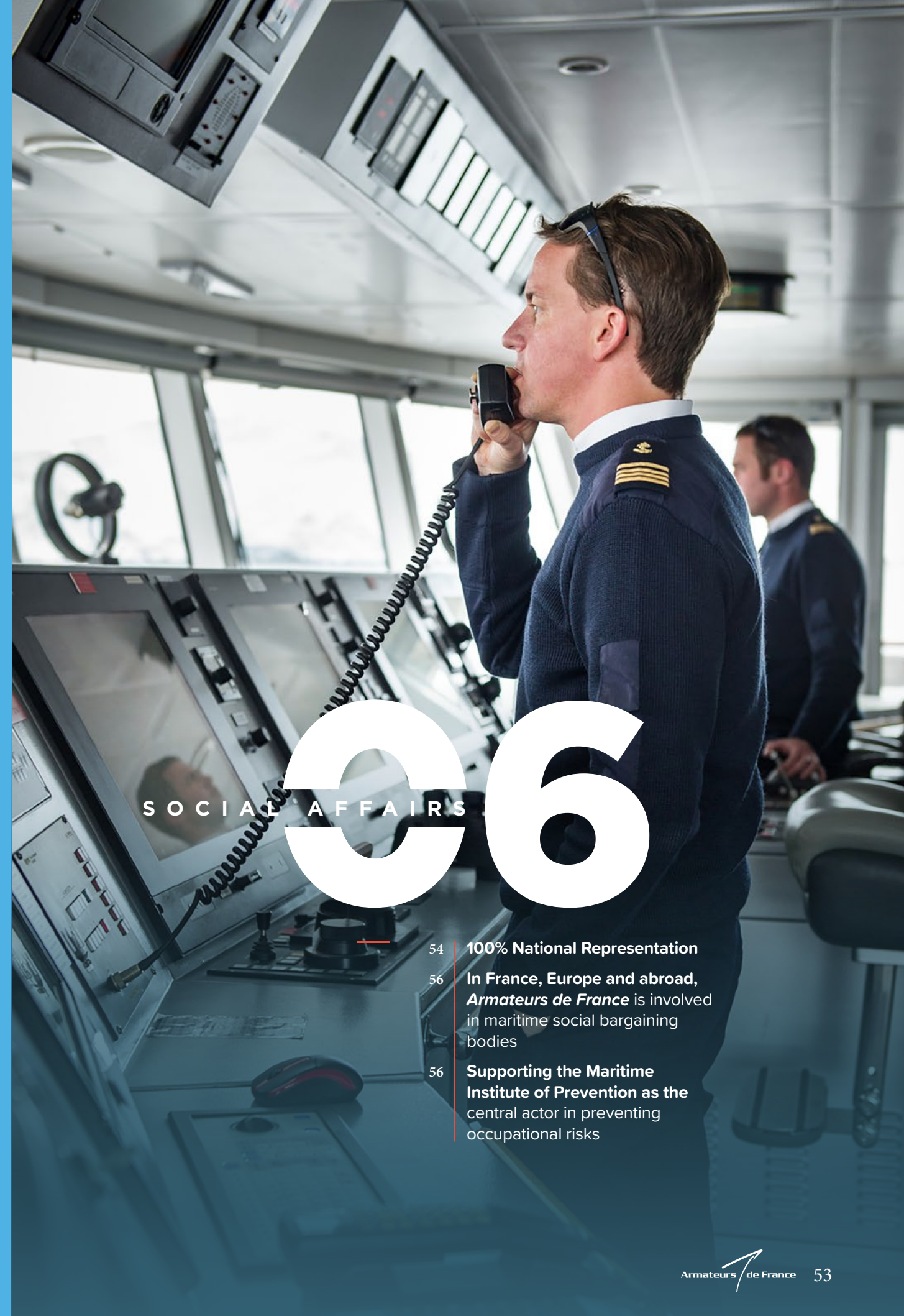
framework agreements devoted to ship funding to an expert and international audience (shipowners, insurance companies, brokers, etc.). In the presence of Philippe Louis-Dreyfus, President of the Supervisory Board of Louis Dreyfus Armateurs, and former President of BIMCO, and a panel of experts who helped to draw them up, this event shed an exhaustive technical light on "SHIPTERM" agreements, for the bilateral funding of ships adopted in 2016 and "SHIPTERM S" of 2018, devoted to bank syndication operations.²

(2) Both documents can be downloaded from the BIMCO website: www.bimco.org

The report aims at promoting a real public policy of attractiveness and should enable shipowners to receive a more attentive response from banks for their investment projects. Far from any uncontrolled speculation, French shipping companies have shown their ability to resist the cyclical nature of this industry. It would therefore be welcome if they could be supported at the bottom of the cycle by the public authorities in their policy to invest in and modernise the fleet."

Publication of this report however is only a first step for *Armateurs de France*. It only remains to make these proposals, necessary for shipping companies, concrete for public and private investment alike.

To this end, *Armateurs de France* will continue to work with the authorities to find support for asset funding.



SOCIAL AFFAIRS

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- 56 **Supporting the Maritime Institute of Prevention as the central actor in preventing occupational risks**

— Armateurs de France's Essential Social Action

One of the strengths of *Armateurs de France* is its constant involvement in all the issues concerning social relations within companies, such as those regarding training of all categories of personnel. In 2018, the organisation continued its action unfailingly in all national bodies, but also at a European and international level. This is a sign of French shipowners' belief in building solid and respectful industrial relations between seafarers, both within our companies and also by holding up these principles within the worldwide shipping industry.

100% National Representation

With 100% representation, *Armateurs de France* has reaffirmed its role as a leader in defending and promoting the interests of French shipping companies.

IN 2018, THE ORGANISATION CONTINUED ITS ACTION UNFAILINGLY IN ALL NATIONAL BODIES, BUT ALSO AT A EUROPEAN AND INTERNATIONAL LEVEL. A SIGN OF FRENCH SHIPOWNERS' BELIEF IN BUILDING SOLID AND RESPECTFUL INDUSTRIAL RELATIONS WITH SEAFARERS.

Two decisions, dated 3rd October 2017, recognise *Armateurs de France* is the only representative employer's organisation in the three branches of officers, ratings and sedentary personnel.

Armateurs de France is the exclusive professional organisation for companies in the transport and maritime service sector, and is satisfied that the "navigating (officers and ratings) personnel" and "sedentary personnel" sectors are both represented.

Based on this high representation and on active joint dialogue, in 2018 *Armateurs de France* worked with

two other professional organisations (the group of public service shipowners – *GASPE*, and the professional association of maritime tugs - *APERMA*) and also with all the representative unions, to bring all the collective bargaining agreements in these sectors closer together and conclude a merger agreement by the summer of 2019. This proactive approach is part of a vast plan by the State and the legislature to restructure the professional branches in order to reduce the number from hundreds to only 200. It aims to strengthen the consistency of scope of application of the collective bargaining agreements.



In France, Europe and abroad, *Armateurs de France* is involved in maritime social bargaining bodies

- With a seat on the **Conseil Supérieur des Gens de Mers**, *Armateurs de France* participates in all reflections on the future of the seafaring profession: reflections regarding social welfare scheme, both in terms of health coverage and retirement, which has existed for seafarers for centuries and is provided currently by the *Etablissement National des Invalides de la Marine (ENIM)*. In the government's major national project to implement a universal retirement scheme, *Armateurs de France* has constantly and forcefully insisted on the need to take account of the special nature of the seafaring profession: distance from the home, special working rhythm, nature of life on board, etc.
- The **ENIM** is a national organisation that manages the special social welfare scheme for seafarers. For merchant sailors, *Armateurs de France* is consulted and included in reflections on changes to the scheme covering illness, invalidity, occupational accidents and occupational illness, retirement, death and Social Action. Since 2018, our organisation is a member of the committee of interested parties (CPI) bringing together representatives of employers, employees and pensioners. This committee is a first step towards changing the status of the **ENIM**. Created by deliberation of the Board, the CPI is chaired by the President of the Board of the ENIM and its meetings allow the social partners to express their opinion on any issues falling within the competence of the Board, such as how the establishment operates, its budget or strategic orientations. Furthermore, *Armateurs de France* is a member of the select group of experts comprised of representatives from the general and special welfare bodies, and union of professional organisations, in charge of designing a framework for the creation of an "occupational accident" branch within the social welfare scheme for seafarers. This long-term project should be completed prior to the summer of 2019.

- Internationally, the professional organisation is part of the Special Tripartite Commission established within the International Labour Organisation (ILO), as specified in the Maritime Labour Convention known as MLC 2006.
- The professional organisation also remains an active member of the National Committee for Collective Bargaining in the maritime sector and of the Specialist Maritime Professional Training Committee. In 2018, several central issues were discussed within these bodies, including planned changes to the law on mobilities (LOM) to be adopted following its passage through parliament by the summer of 2019.

Supporting the Maritime Institute of Prevention as the central actor in preventing occupational risks

The Maritime Prevention Institute (*IMP*) is a pillar in the prevention of risks in the maritime sector. It distributes best practices to seafarers and remains the main lever for action of shipowners when implementing prevention policies, both with companies and with their seagoing staff. The expertise of the *IMP* can be called on by shipowners to help draw up risk assessment documents, or conduct training on safety and working conditions. *Armateurs de France* supports the *IMP*, specifically in 2018 through its financial partnership to design innovative training courses on workplace living conditions, an avenue supported by shipowners for all seagoing staff.

CAREER OBSERVATORY

Armateurs de France spoke out in favour of restarting the Career Observatory in 2015. In 2017, annual statistics on the population of seafarers and sedentary personnel were surveyed once again, highlighting interesting results on professional

equality. In 2018, *Armateurs de France* took on the Presidency of the Career Observatory, articulating the programme around two main issues: disabilities and professional qualification certificates.

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Global Economy: Unequal 2018 Growth

Growth in global GDP¹



World trade²



2018 turned out to be a more disappointing year than suggested by the first months of the year: global economic growth grew by 3.7%, a rate similar to 2017, but a fall on initial projections which forecast growth of 3.9%. This stagnation in business is reflected mainly in developed countries whose growth slowed in the second half of the year. The Euro zone especially saw its growth slow to 1.8% while the main countries are wracked by internal difficulties (slowed growth in Germany, worries about public debt and financial risk in Italy, yellow vest crisis in France), not to mention the increasingly looming threat of a no-deal Brexit.

In the United States, growth picked up (+2.9%) in 2018 but uncertainties remain due to the recent rise in trade tensions between the United States and its main trading partners. In the worst-case scenario of increasing trade tensions with the United States, Chinese growth could slow to 5.3%, the lowest recorded level since 1992. Chinese growth already slowed to 6.6% in 2018 (compared to 6.9% in 2017) and should slow even further

over the next two years, according to OECD estimates, due to tightening of financial regulations and policies aiming at rationalising industrial over-capacity. Of the emerging Asian economies, only India shows net growth (+7.3% in 2018) which should last over the next 2 years (+7.5% in 2019 and +7.7% in 2020). The country has benefited from the drop in oil prices and weaker inflationary pressure.

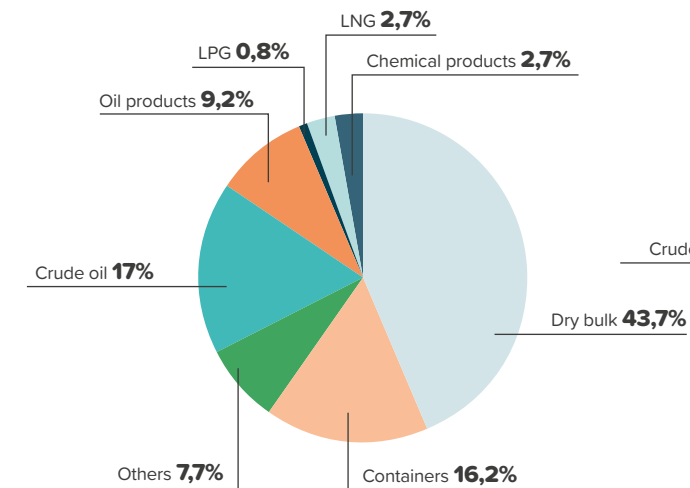
A sign of this general slowdown, the growth in world trade progressed more slowly at 3.9% according to the WTO, which also notes that 2018 saw restrictions on world trade multiplied by seven from October 2017 to 2018.

These mixed results were also felt in shipping trade, which rose to reach 11.9 billion tonnes transported, but at a slower rate than in 2017 (+2.7% in 2018 compared to +4.2% in 2017) according to Clarksons (+3.1% in ton-miles). As always, Asian imports drove most of the growth, but they also grew more slowly than forecast this year. Industry has also had to cope with the consequences of a trade war between the United States and China³, rising fuel prices and, to a lesser extent, the return of US sanctions against Iran. However, the slowdown in the growth of the fleet (+2.6%) compared to 2017 (+3.4%) enabled the sector to generate decent earnings in most segments.

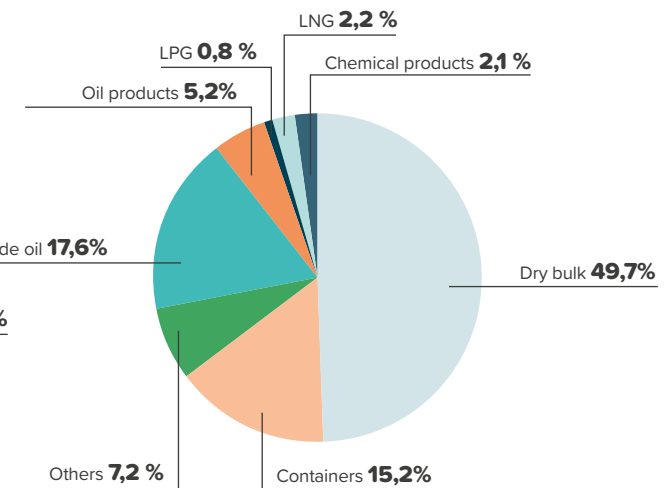
(1) Source: Organisation for Economic Cooperation and Development (OECD)

(2) Source: World Trade Organisation (WTO)

(3) See BIMCO's interview p. 66



Piechart 1: 2018 shipping traffic (in millions of tonnes and %)



Piechart 1: 2018 shipping traffic (in ton-miles and %)

Source : Clarksons

Dry Bulk: Slowed Growth

Growth in dry bulk shipping⁴



Overall, 2018 was a positive year for the dry bulk sector despite the trade tensions that affected some cargoes (soya, steel).

Demand grew (+2.4%, +2.8% in ton-miles) but at a slower rate than in 2017 (+4.1%, +4.7% in ton-miles), mainly due to a reduction in Chinese demand. The world's second largest economy however remained the main driver of dry bulk trade.

Trade in iron ore grew more slowly than in 2017.

The cause: considerably slower imports from China (-1% compared to 2017) which is increasingly using better quality iron ore requiring lower quantities to produce

steel, slightly affecting the "Capesizes⁵" market, used primarily for this type of freight. On the contrary, the growth in coal trade was robust, except in the last two months of the year when China imposed import restrictions in an attempt to maintain the annual level of coal imports the same as in 2017. However, **worldwide demand for coal remains high**, particularly from countries such as India and South Korea. Trade in cereals however slowed considerably, partly affected by customs duties on soya imports.

Ship chartering rates remained mostly steady in 2018: on average higher in the first eight months of the year on a year-on-year basis (+25%)⁶. The annual average in the Baltic Dry Index, a reference index compiling transport prices for dry bulk, grew by 18.1% over the whole year. Most segments saw their average price index rise: +1.41% for Capesize ships, +19.3% for Panamax

(4) Source: Clarksons

(5) Capesize ships have a capacity of 110 000 to 300 000 DWT, too large to pass through the Suez canal or the Panama canal, and which need to take the Cape of Good Hope to pass around Africa and Cape Horn to pass around America.

(6) According to the ClarkSea Index, a weighted average index of earnings for the main vessel types.



categories, +22% for Supramax categories and +14% for Handysize⁷. The average daily earnings for Capesize ships amounted to US\$14,000 per day, and for Supramax US\$11,100 per day in the 1st half of the year. However, the last quarter was quite disappointing, especially for Capesizes, as seen in the 40% fall in the *Baltic Capesize Index* compared to the last quarter of 2017.

The bases of the dry bulk market remain positive, given that net fleet growth in 2018 was relatively low (+2.8%), despite the fact that there were very few demolitions. In fact, only 61 units equivalent to 4.8 million DWT⁸ were dismantled (compared to 213 units equivalent to 14.7 million DWT dismantled in 2017). At the same time, new deliveries also slowed: 284 units of over 20,000 DWT, equivalent to 28 million DWT entered the fleet, compared to the 455 units representing 38.4 million DWT delivered in 2017.

While 2019 was shaping up to be a good year, the consequences of the collapse of a dam operated by the mining firm Vale in Brazil risk compromising balance in the market. Specific attention needs to be paid at

the start of this year to the compensation power of producing countries and China's strategic decision to substitute Brazilian ore which has a high iron content with a lower quality ore in its steel-making process. This would be less advantageous in terms of raw steel yield and more polluting due to the increased need for coal in the smelters.

Furthermore, the slowdown in the Chinese economy could impact the Capesize and Panamax markets which are closely tied to the transport of iron ore and coal, whereas cereal trade could suffer from the worsening trade war between the United States and China. In any event, a lengthy economic war between the two countries will affect worldwide demand, whatever the product being traded.

(7) Panamax: ships with a capacity of 50,000 to 80,000 deadweight tons
Supramax: ships with a capacity of 40,000 to 60,000 deadweight tons
Handysize: ships with a capacity of 10,000 to 30,000 deadweight tons
(8) Deadweight tons

Liquid Bulk: Rebound in the Second Half of 2018

Growth in liquid bulk shipping

2018 |  +1,4%
2017 |  +2,8%

Growth in crude oil shipping

2018 |  +1,3%
2017 |  +3,2%

Growth in oil products shipping

2018 |  +1,6%
2017 |  +1,8%

Growth in LPG shipping

2018 |  +4%
2017 |  +2%

Growth in LNG shipping

2018 |  +10%
2017 |  +9%

Source: Clarksons

In the first half of 2018, the oil transport market saw one of the worst periods of its history, before bouncing back in the second half of the year.

Over the whole year 2018, crude oil shipping grew by 1.3%, the lowest level recorded in 4 years, mainly due to a sudden fall in US imports, a slowdown in Chinese imports and considerable capacity in the market. As a result, average chartering rates were particularly low with average daily rates of US\$8,368 in the first half of the year. This was unable to generate a sufficient ROI to cover operating costs.

The rates rose in the second half of the year, mainly due to a drop in the price of oil to US\$65 a barrel, and US sanctions against Iran. Iranian crude oil exports dropped sharply by 2.8 million barrels per day in April to 1.1 million barrels at the end of the year when buyers withdrew to comply with American sanctions.

Solid demand from Asian countries also helped the spectacular upturn in VLCC⁹ chartering rates (from US\$11,000 to US\$50,000/day), which had a positive effect on the other segments.

It should however be noted that the rate rise in the second half of the year is not entirely uncommon at this time of the year when refineries are looking to increase their production, to cope with the winter season in the northern hemisphere.

However, growth in the fleet was moderate (+0.5% compared to +4.8% in 2017) and 2018 was marked by the highest number of demolitions in 15 years.

Number of demolitions in 2018:

150

150 tankers over 25,000 DWT¹⁰

Perspectives for the coming year are mixed in the crude oil shipping market. On the one hand, positive results in the second half of 2018 may be more than a seasonal trend, hinting at solid growth rates during the 1st quarter of 2019. On the other hand, global growth forecasts, the arrival of newbuilds on the market (particularly 2018 deliveries carried over to 2019) and the announcement of a new reduction in OPEC¹¹ and its allies' oil production, could deter any lasting recovery in the market.

As regards refined oil products, growth in transport was fairly sluggish in 2018 (+2% approx.) due to a fall in imports from South-East Asia and Brazil, and large inventories in some regions. Demand was nevertheless spurred by the rise in exports from the Middle East and Mexican imports. Growth in the fleet was moderate in 2018 (+2%) and the outlook for 2019 also looks positive. *The Global Sulphur Cap 2020* regulation should support redistribution of refined products, particularly diesel in regions such as Europe and South-East Asia which need large quantities of imported fuel.

(9) Very Large Crude Carrier. A class of giant oil tankers with a deadweight of between 150,000 tonnes (end of Suezmax size) and 320,000 tonnes (start of ULCC)

(10) Gibson

(11) Organisation of Petroleum Exporting Countries



LNG ON THE RISE

Shipping of LNG in 2018 grew steadily (+10%), with 320 million tonnes transported. Australia, the United States and Russia accelerated their exports and worldwide demand remained strong, particularly in Asia.

Chartering rates in the spot¹² market, a sign of this dynamic, reached record levels; up to US\$200,000 per day in November.

At the same time, the fleet of LNG tankers continued to rise rapidly in 2018 (+9%), with 547 ships of a capacity of 85 million cubic metres present on the seas at the end of 2018.

In 2019, growth in LNG shipping should remain strong, rising by 8% and reaching 345 million tonnes transported. The fleet will also continue to grow with 49 new ships on the market. This capacity will be absorbed however: VesselsValue estimates that 91 million tonnes per year should be withdrawn from new production capacities up to 2021, of which 50 million will come from the United States alone, increasing average navigation distances. Some uncertainty remains however on the future of American LNG exports to China following the imposition of 10% duties on Chinese imports. The number of LNG tankers sailing from the United States to China has already fallen compared to the same period in 2017. A close eye needs to be kept on future negotiations between the two countries as China was the third largest purchaser of LNG from the United States in 2017.

LPG shipping grew by 4%, buoyed up by increased exports from the Middle East and strong European demand. Over-capacity in the fleet due to a flurry of deliveries in 2017 (72 VLGC¹³, were delivered over the last 3 years) is still affecting the market. Daily income improved for VLGCs over the summer whereas the fleet grew more slowly (+1%). Increased numbers of ships, the duties imposed on Chinese exports by the United States and the drop in ethylene imports in Asia, and especially China, kept daily rates considerably down, particularly for small and medium-sized gas carriers.

(12) Market in which chartering operations are carried out on a daily basis and where prices are fixed at the time and on the spot.

(13) Very Large Gas Carriers. A class of ships carrying LPG with a capacity of between 50,000 and 80,000 cubic metres.

(14) Source: Clarksons

(15) Twenty-Foot Equivalent Unit. An approximate unit of measurement for a container including both 20-foot and 40-foot containers.

(16) Baltic and International Maritime Conference

(17) Alphaliner

Containers: Two-Speed Year

Growth in container shipping¹⁴

2018 | **+3,8%**
2017 | +4,8%

Container shipping saw a contrasting year: although trade rose by 3.8% with 168 million TEUs¹⁵ carried according to *Container Trade Statistics*. The market suffered from a variety of events such as rising fuel prices, greater available tonnage than forecast, a drop in demand on the main shipping routes and geopolitical tensions.

Growth in volumes transported on the main Asia-Europe route was disappointing (+0.5% in the 1st half of the year compared to +8% in 2017). On the Transpacific route, volumes recovered in the third quarter while shippers tried to anticipate a new series of US duties on Chinese imports (+12% in October). However, growth in intra-Asian and North-South trade was strong, offsetting a slowdown in the main routes.

On the supply side, BIMCO¹⁶ notes that ship demolitions saw their lowest level in ten years, while continuous deliveries of very large ships in Far Eastern - European trade led to a return in cascading, a practice that consists of moving larger ships on secondary routes. New deliveries reached 1.3 million TEUs, exceeding the 1.2 million that joined the fleet in 2017, while only 111,200 TEU were demolished during the year (compared to 427,000 in 2017).

2018 demolitions:

66

container ships, or the lowest number since 2008¹⁷.

In these conditions, freight rates did not meet expectations in the second half of the year, pushed down by too many ships available and by rising bunker costs.



2019 risks being a challenging year for shipping companies that will have to manage new capacities on the market, volatile bunker prices and recovery of the costs generated by the new sulphur emissions regulation from shippers, that will enter force on 1st January 2020.

Ro-Ro and Ferries: Stable Growth but New Challenges Ahead

The Ro-Ro¹⁸ market remained stable in 2018 with positive trends in demand from Northern Europe and the Mediterranean, and increased activity in the Black Sea buoyed up mainly by improving relations between Turkey and Russia.

The fleet has remained constant since 2016 with 835 ships on the market in 2018. However, several operators have decided to renew their fleet and new orders were placed, mainly in the larger ship segment between 5,800 and 7,800 linear metres for Ro-Ro, and between 2,200 and 4,500 linear metres for passenger cargo ships.

(18) Roll-on/Roll-off. Ships suited to the transport of trucks, semi-trailers, tractors, farm machinery, construction equipment, etc. They are also suitable for containers or swap bodies.

(19) Expressed in number of industrial vehicles.

The short-term outlook for Ro-Ro is positive, but the risks remain while growth forecasts are revised down in some European countries and the threat of a no-deal Brexit and new taxes on cars loom.

For passenger transport, conditions also improved as can be seen by the strong financial results of the main ferry operators. Investment in new ferries rose, mainly due to new environmental regulations. On the demand side, competition with air transport remains a challenge for the sector. Passenger volumes increased but the rate of growth was slowed by rapid growth in low-cost air transport between regions. In addition, the rise in bunker costs and currency depreciation in some countries affected some operators negatively. Nevertheless, **ferries continue to record growth in freight transport volumes.**

CROSS-CHANNEL

On the Cross-Channel routes, results varied with the ports: Dunkirk and the associated Norman ports (Cherbourg, Caen, Dieppe) saw both their freight¹⁹ (-4% and -9,3%) and passenger (-2% and -1,5%) traffic



drop. The result is more mixed in Calais with a drop in HGV traffic (-4.5%) but a rise in passenger traffic (+1.41%). Le Havre did well with growth in both freight (+2%) and passengers (+1%).

While the results are far from disastrous, French operators are widening their activities beyond the United Kingdom in the perspective of a hard Brexit; development of Ireland-France-Spain lines for Brittany Ferries, and greater ro-ro activities in the Mediterranean for DFDS with the acquisition of the Turkish company UN RoRo. Both companies signed an agreement with the British government to strengthen their transport capacities and safeguard supplies to the United Kingdom in the event of a hard Brexit.

MEDITERRANEAN

In the Mediterranean, shipping to Corsica was down slightly (-1.1%) whereas competition with air transport remains tough. However, passenger traffic from Marseilles to Corsica continued to grow for the third year running.

The ferry business remains lively in the Mediterranean, as can be seen from the opening of new lines. In May, Corsica Linea took delivery of its 7th ferry allocated to routes to North Africa and Sardinia, and Corsica Ferries opened a new line to the Balearic islands from Toulon and will open another to Sicily in the spring of 2019.

Strong Growth in the Cruise Sector

The cruise sector continues to see strong growth, with new orders for very large cruise ships and for smaller ships on the rise. Passenger volumes continued to rise with a total of 28 million passengers estimated in 2018 (+5%). Growth in the Chinese market seems to have slowed but the long-term outlook is positive given the number of inhabitants.

The economic impact of the sector now exceeds 130 billion dollars and represents almost one million jobs.

In addition, cruise companies are showing increasing interest in LNG power: 19 ships powered by LNG are on order, or the equivalent of 35% of the orderbook in terms of tonnage.

The French shipowner Ponant, specialising in luxury cruises, saw a 10% increase in passengers in 2018.

The company received delivery of the LAPEROUSE and the CHAMPLAIN, the first two ships in the Ponant Explorers series, with four additional units expected by 2020. The year was also marked by the start of construction of the *COMMANDANT CHARCOT*, a hybrid electric and LNG-powered ship to be used in polar exploration.

Spotlight on Service Ships

OFFSHORE OIL AND GAS

During 2018, some offshore oil and gas sectors saw a slight but visible improvement. Demand for support ships, drilling ships and subsea construction ships recovered, leading to a rise in rates in several regions. However, this trend cooled in the second half of the year, and it would seem that the improvement was only seasonal. Major oil companies spent less budget than planned on exploration and production. Offshore support ship operators remain under pressure and daily chartering rates remained below expected levels with overcapacity in the fleet.

The sector could benefit however from growth in marine renewable energies where demand is strong. For instance, the Marseilles shipowner Bourbon, specialised in offshore shipping services, won a contract to install three floating wind turbines off the coast of Portugal.

CABLE LAYERS

The market for cable-laying ships was mainly buoyed up by maintenance contracts in 2018. Laying of submarine cable also mobilised French ships: between Martinique and Guyana for the Orange Marine cable layer PIERRE DE FERMAT, and in Polynesia for the Louis Dreyfus cable layer ILE DE BATZ. Note that 99% of digital data pass through underwater cables⁽¹⁹⁾, and this cable laying and maintenance activity is quite strategic. Cable layers are also increasingly mobilised to connect offshore wind farms that are developing rapidly in Europe, and are pushing the demand for more efficient ships, both in terms of transport and cable installation.

(19) TeleGeography

(20) Global Wind Energy Council

MARINE RENEWABLE ENERGIES

The development of offshore wind is continuing globally. In Europe, 2.6 GW of new offshore wind energy capacity was installed in 2018 according to the association WindEurope (+18% compared to 2017). There are now 105 offshore wind farms in Europe for a total capacity of 18.5 GW. On the American continent, 11.9 GW of capacity was installed (+12% compared to 2017), whereas the African continent installed 962 MW of additional capacity, bringing total capacity to 5.7 GW⁽²⁰⁾. No commercial farm has yet been installed in France, but current projects include a total capacity of 3,000 MW. The review of the Pluriannual Energy Programme at the end of 2018 plans to bring the French offshore wind farm capacity to 4.7 GW by 2028.

This development offers numerous opportunities in the field of maritime support and assistance services to offshore wind farm operators where French shipowners are present: Louis Dreyfus Armateurs ordered two French offshore wind ships, to be delivered in 2019 and 2020, operated by the Danish energy company Ørsted in wind farms in Northern Europe. Jifmar, the shipowner specialised in maritime construction work, installed the first floating wind turbine in France, Floatgen, on the SEM-REV trial site off Croisic.

2019 Perspectives

A number of uncertainties in 2019 risk affecting shipping: the slowdown in the world economy and mainly in China, the continuing trade war between the United States and China, the outcome of Brexit and adaptation to the “Global Sulphur Cap 2020” that sets sulphur content limits for marine fuels.

Analyses are more or less optimistic on the development of the market for the coming year, but careful management of capacities will be a key factor in resisting upheaval in the world economy.

– Zoom on the China-United States Trade War

BY SETTING DUTIES ON IMPORTS OF ALUMINIUM AND STEEL IN MARCH 2018, THE UNITED STATES SIGNED THE FIRST PHASE IN WHAT WAS TO BECOME A REAL TRADE WAR, INVOLVING NOT ONLY CHINA, BUT ALSO THE EUROPEAN UNION, CANADA, MEXICO AND RUSSIA. WHAT HAS THE IMPACT OF THIS TRADE WAR BEEN ON THE SHIPPING SECTOR? WE TAKE A LOOK BACK WITH PETER SAND, CHIEF SHIPPING MARKET ANALYST AT BIMCO.



PETER SAND,
CHIEF SHIPPING ANALYST AT BIMCO

Which shipping sectors were the most affected by the implementation of additional American and Chinese duties?

All of the three main shipping sectors (dry bulk, liquid bulk and containers) was impacted by the trade war in 2018. And they will continue to be so in 2019 too, as BIMCO do not expect the trade war issues to be resolved quickly, nor any time soon.

Container shipping was positively impacted in 2018 as the American

retailers pushed forward their purchases of goods in order to bring them into stocks on US soil prior to tariff hikes coming into force. That meant containerized imports into the US east coast ports grew rapidly and freight rates on trades heading into both the US east coast and west coast ports went up to levels unseen for many years. The flip side of the coin being an expected below-normal level of import in the first half of 2019, as stocks are being run down.

For dry bulk shipping industry, the Chinese almost completely shied away from buying US soya beans and grains. That meant many grain cargoes were lost. On the other hand Brazil stepped up to deliver quite a huge amount of beans that used to come from the US in September-November. All being shipped to China. Uncertainty was massive, and shorter sailing distance from Brazil to China (as oppose to from US to China) put the market under pressure.

For the oil tankers (LNG carriers also hit by lack of demand), China stopped importing crude oil in August 2018, and they have not returned yet. In January 2019, rumours has it that three VLCCs are 'en route' to China with Crude oil. But let see about that- whether the cargoes will end up in Singapore or go all the way. Developments in the talks on easing the trade tensions will decide the fate of these cargoes.

In short – mostly negative for dry and wet bulks – whereas container shipping got the upside in 2018 and are likely to get the downside in 2019.

Could this trade war be paradoxically an opportunity for shipping, by upsetting traditional trade routes and increasing the tonne/mile demand?

BIMCO: No – I don't see a silver lining to the trade war. International shipping feeds on globalisation, and the trade war is all about making trade more expensive and difficult. We are seeing some of the longest sailing distances lost here. New trade routes that could emerge are unlikely to deliver longer hauls.

The United States and China have signed a three-month truce. Given these recent developments and the rise in protectionist measures around the world, what can we expect for the shipping market in 2019?

For 2019 forecasts, I invite you to consult our analysis on the BIMCO website²¹.

For the current ceasefire, it's not going in the right direction yet. A simple postponement of raising barriers to trade further up is by no means a move in the right direction

– yet. Surely we would very much enjoy a swift return to normality on this regard – but once things have gone this wrong and many issues are tabled for discussion, it takes a long time for diplomacy and politics get it all sorted. At the start of January 2019, the IMF²², once again downgraded the outlook for global economic activity. It came as no surprise to us – but it surely highlights that fact that shipping needs to be on the scout for future demand growth.

Note: this interview was conducted in January 2019

(21) https://www.bimco.org/news/market_analysis/2018/20181218_global_shipping_scouts_for_growth

(22) International Monetary Fund



— French Flag

Merchant Fleet

Type of ship	on 1st January 2018			on 1st January 2019		
	Number	GT	DWT	Number	GT	DWT
ANCHOR HANDLING SUPPLY VESSEL	20	38,954	NA	19	37,221	NA
BUOY TENDER	8	3,254	NA	8	3,255	NA
CABLE LAYER	9	99,836	NA	9	99,836	NA
CEMENT CARRIER	1	2,035	2800	1	2,035	2800
CONTAINER SHIP	25	2,365,754	2,494,950	25	2,365,754	2,494,950
CREW BOAT	7	1,170	NA	6	1,002	NA
CRUISE SHIP	6	59,996	7,429	9	80,459	1,0137
DREDGER	13	34,638	NA	14	35,578	NA
FERRY	37	712,540	129,140	41	746,324	137,958
GAS CARRIER	8	432,939	393,466	7	386,326	344,305
GENERAL CARGO	16	39,060	25,410	16	32,662	22,737
OFFSHORE VESSELS (OTHER)	3	2,405	NA	2	2,061	NA
PASSENGER SHIP	19	10,431	2,717	17	9,627	2,636
PILOT BOAT	1	499	NA	1	499	NA
PLATFORM SUPPLY VESSEL	31	82,595	ND	28	77,592	NA
POLYVALENT SUPPLY SHIP	5	27,990	NA	5	30,246	NA
RESEARCH AND SUPPLY VESSEL	1	9,403	4,871	1	9,403	4,871
RESEARCH VESSEL	8	15,972	NA	6	14,099	NA
RORO SHIP	19	148,959	65,034	19	148,959	65,034
SAND DREDGER	5	10,596	NA	5	10,596	NA
SEISMIC SURVEY VESSEL (IN LAY UP)	4	42,011	NA	4	42,011	NA
SUPPORT VESSEL	14	13,390	NA	14	13,176	NA
TANKER	33	1,974,902	3,737,549	34	1,990,362	3,755,998
TRAINING SHIP	2	1,081	NA	2	1,081	NA
TUG BOAT	113	41,941	NA	114	42,884	NA
TOTAL	408			407		

Legend: TRANSPORTS – SERVICES – NA: NO AVAILABLE

Armateurs de France

AGENCE MARITIME DE L'OUEST • BOLUDA FRANCE • BOURBON OFFSHORE SURF • BRITTANY FERRIES
CARIBBEAN LINE • CCI BAYONNE PAYS BASQUE • CMA CGM • COMPAGNIE ARMORICAINE DE NAVIGATION
COMPAGNIE MARITIME NANTAISE • COMPAGNIE MARITIME PENN AR BED • COMPAGNIE POLYNESIÉNNÉ
DE TRANSPORT MARITIME • CONSEIL DÉPARTEMENTAL DE CHARENTE MARITIME • CORSICA FERRIES
CORSICA LINEA • DFDS SEAWAYS • DRAGAGES TRANSPORTS TRAVAUX MARITIMES • FILHET-ALLARD
MARITIME • GASPE • GAZOCEAN • GENAVIR • GEOGAS MARITIME • GIE COMPAGNIE MARITIME DU
LITTORAL • GREENSHIP GAS • GROUPE EYSSAUTIER • GROUPE LHD • HELVETIA ASSURANCES •
INGEPAR • IXBLUE • JIFMAR OFFSHORE SERVICES • LA MÉRIDIONALE • LD BULK • LES ABEILLES • LOUIS
DREYFUS ARMATEURS • L'EXPRESS DES ILES • MARFRET • MARITIMA • ORANGE MARINE • PILOTES DE
DUNKERQUE • PILOTES DE LA GIRONDE • PILOTES DE LA LOIRE • PILOTES DE LA SEINE • PILOTES DE
NICE/CANNES/VILLEFRANCHE • PILOTES DES PORTS DE MARSEILLE ET DU GOLFE DE FOS • PILOTES
DU HAVRE/FÉCAMP • PONANT • SEAOWL FRANCE • SEA-TANKERS SHIPPING • SOCATRA • SOCIÉTÉ
DE DRAGAGE INTERNATIONAL • SOCIÉTÉ DE TRANSPORTS FLUVIO MARITIMES DE L'OUEST • THOMAS
SERVICES MARITIMES • TOTAL ACTIVITÉS MARITIMES • TOTAL GLOBAL LNG • V SHIPS FRANCE



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