The Pulse From The 57th EPCA Conference

Positive market sentiments from both the Owners and Charterers

October 2023

Eight Quincannon Associates from New York, Singapore, and Dubai just participated in the 57th EPCA Conference. Besides hosting nearly 100 guests at an event at the Imperial Hotel, Quincannon Associates spent the remainder of the conference meeting with existing partners and connecting with others about solutions in the shipping space.

The topic of climate change took center stage at this year's EPCA conference as the industry prepares in earnest for the EU ETS implementation as of January 1st 2024. It is expected that in 2024, Shipping will contribute an additional Euro 4 Billion to the already Euro 150 Billion Carbon market. Even the EPCA itself demonstrated a clear movement away from the traditional piles of paper in favor of digital registration and paperless literature.

> ***The industry prepares in earnest for the EU ETS implementation***

While the EU ETS policy provided the main focus at the conference this year, it is becoming increasingly apparent that other nations will follow suit as emissions taxes become more widely subscribed. A critical point of discussion remains how to comply with the regulations and pass these costs through to the shippers. Several parties, including ourselves at Quincannon Associates, are developing clauses for the Charter Parties and these are gradually becoming part of the shipping landscape. The expectation is that Worldscale will roll out their emissions clause in the near future.

IMO's Carbon Intensity Indicator (CII) has come under additional scrutiny as flaws in the system are becoming increasingly apparent. Prior to the conference there were subtle signs coming out of IMO that the CII may be abandoned over time in favor of the more logical EEOI (Energy Efficiency Operating Indicator) which looks specifically at the fuel consumed against the volume of cargo transported.

Perhaps unlike recent EPCA's past, the overall sentiment from the producers was more upbeat despite a slower global economy, tighter margins, and general destocking across the value chains. In several of the meetings, the feedback was that even though the demand is high, there is a structural shortage in the supply of certain chemicals. Swing tonnage operators are also quite bullish looking out over the next couple of years as the energy markets will continue to drive utilization rates. With generally strong returns in CPP, there is very little appetite to cross over into chemicals keeping the chemical rates firm.

With the collapse of the Chinese housing markets and mounting concerns over the state of the World's second largest economy, the shipping markets remain upbeat, particularly in the Chemical space where a small order book, high construction costs, and a general shortage of (credible) dock space is pointing towards tighter fundamentals out to 2027 onwards. With China becoming more self-sufficient this is placing pressure on Middle Eastern producers to find new outlets for production. Many signs point to India as the likely destination which will mean a more regionalized trade and lower ton-mile for products moving out of the region.

As the war in Ukraine now approaches its second year, Russian energy continues to be isolated from the broader global stage resulting in further fragmentation within the fleet. The vast majority of the Owners are shying away from Russian origin business in order to avoid any complications with OFAC, banking systems, vetting, etc. On the flip side, there is a growing dark fleet intent on earning premiums despite not having vital insurance. The human toll continues to tell the broader story. A significant portion of the seafarers supporting the Chemical and Gas tanker trade are of Russian and Ukrainian descent and work side by side despite the events transpiring in Ukraine.

The announcement of MOL Chemical Tankers pending acquisition of Fairfield Chemical tankers generated a lot of buzz around the conference. All expectations are that the deal will go through; however, the parties continue to wait on all the necessary regulatory approvals which are expected to come within the calendar year. With the final approvals still pending, both parties remained pretty tight lipped about the transaction and how that will serve to reshape the competitive landscape. If confirmed, this will make MOL the largest stainless operator in the deep sea chemical tanker space. Overall, the feeling among both the Owning community and the Charterers was positive. For Charterers currently partnered with MOL it means more capacity and a younger fleet and for established carriers it represents further fleet consolidation with a known entity.

ABOUT QUINCANNON ASSOCIATES

Founded in 1974, Quincannon Associates is a privately owned Company with fully owned subsidiaries in Dubai, Singapore, and Shanghai. Quincannon Associates continues to push the boundaries of the role of the Ship Broker and value brought to each transaction. Using an innovative approach to analyze shipping data and the markets, Quincannon strives to give the customer heightened insight and visibility into all marine transactions. Its network of companies enables solutions to gases and chemical shipment needs in the customer's local time zone.

For 50 years, Quincannon Associates has been providing a variety of services that help businesses safely and cost-effectively manage their bulk marine logistics, including voyage chartering, ship sale and purchase agreements, demurrage calculations, port operations, logistics terminology, and ship finance, as well as provide consultation on marine insurance and legal matters.

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