

# Life After COVID-19

1850

1900

1950

2000

**Ship & Bunker Webinar**

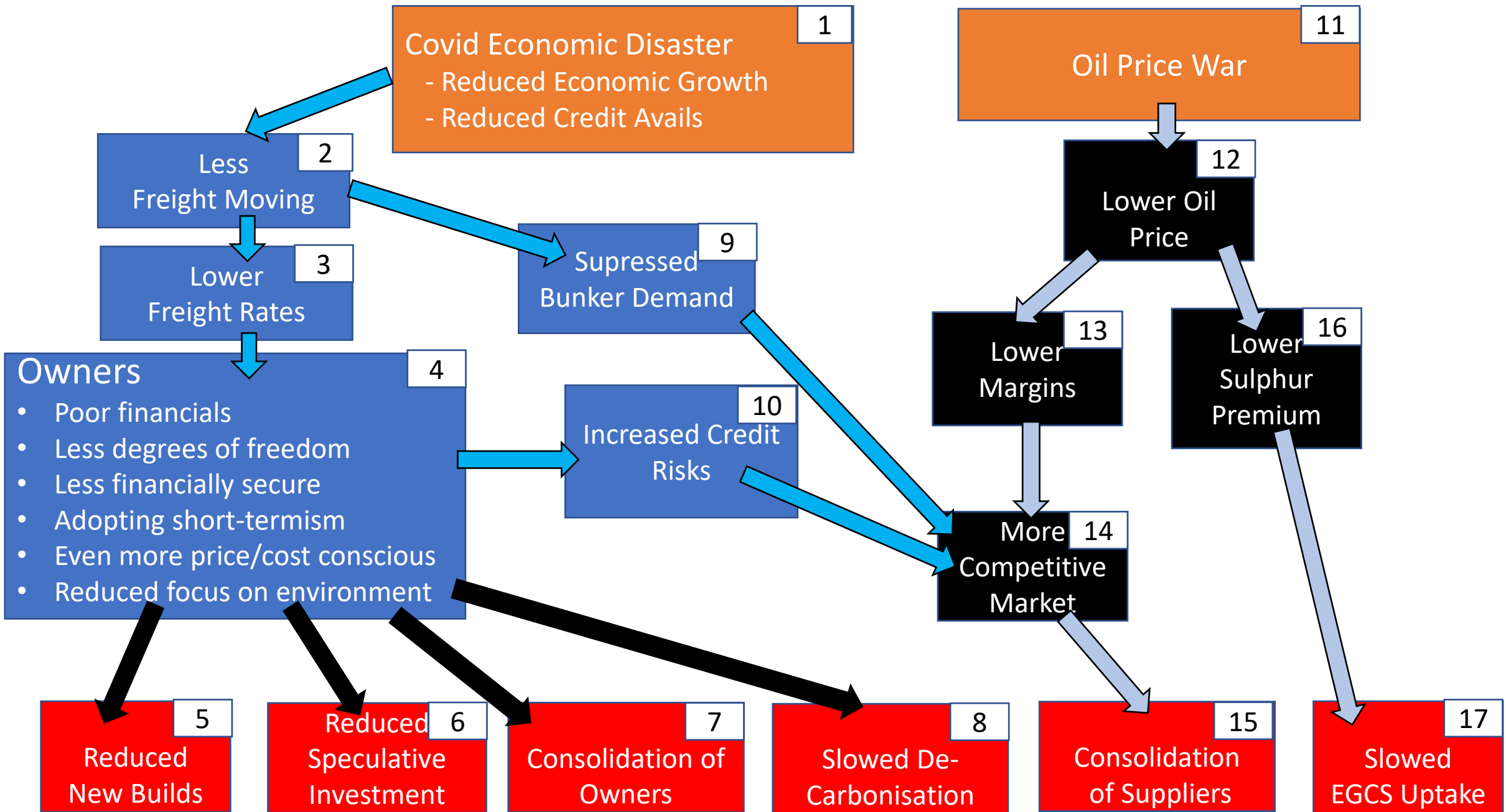
26 May 2020

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# The impact of Covid will be long lasting

- **Poorer**
- **More risk adverse**
- **Seek greater flexibility**
- **Reduced international cooperation**
- **Improving the environment will be perceived as more costly**



# Covid has accelerated de-Globalisation

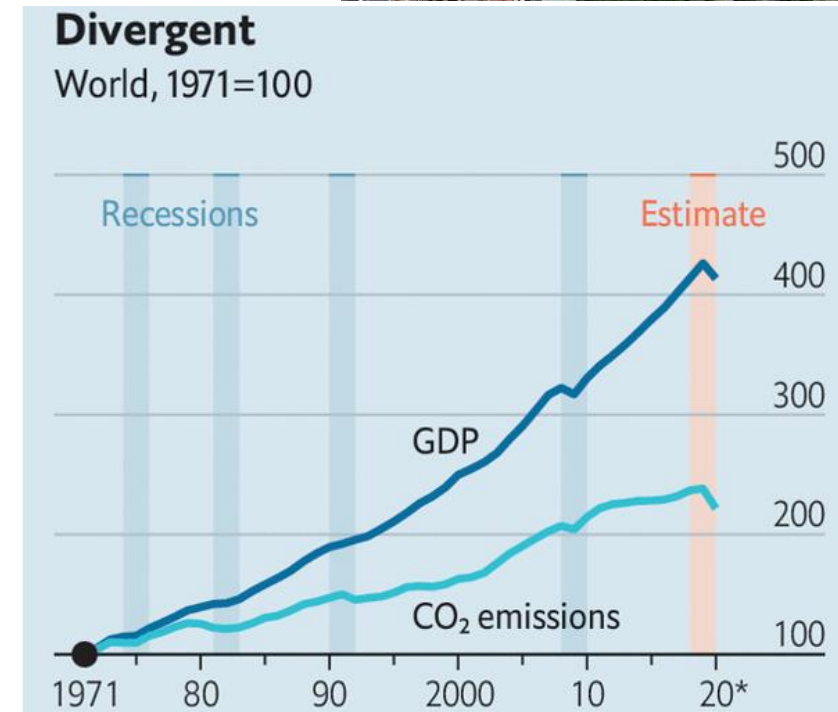
- Trade tariffs
- Withdraw/end of military treaties
- China increased focus on national advantage
- US withdrawal from Paris Climate Agreement
- Cease funding of WHO
- Lack of a global response to Covid
- Reduced global connectivity and travel

**Retarding growth in international trade**

**Decreasing international cooperation possibly including confirmation and implementation of IMO's de-carbonisation plans**

# Environmental Impacts of Covid

- **We've seen what clean air looks like**
  - Let's keep it like this
  - We don't have to work so hard to reduce future emissions
- **Longer term reductions in**
  - PAX land, sea and air
  - Overhead costs
  - Flexibility in manual operations
- **Near term government actions are crucial**
  - Immediate focus on re-building the economy
  - Deflecting attention from environmental issues
  - CO<sub>2</sub> emissions will continue to grow but more slowly



# Covid was unforeseen and is devastating

**Global Warming is foreseen  
But will be the greatest disaster  
ever  
If we don't act now**

9/11  
2008  
Crash

**Covid**

2000    2008    2020    2030    2030    2040    2050

# How will we decarbonise

## Engineered and Operational Efficiencies

- Regulations
  - EEDI
  - SEEMP

- Incentivised by fuel savings
- Avoiding penalties

- Pressure on owners
- Limited impact

## New Fuels

- Regulatory uncertainty

- No clear business case yet
- Subsidies

- Pressure on suppliers to provide infrastructure
- Pressure on owners to build new types of ships

## Market Based Measures

- Established
  - EU ETS
  - China's National ETS
- President Biden favours MBM

- Lowest cost path
- Incentivises innovation
- Renewables and carbon capture developed globally

- Reduced costs on owners and suppliers
- Can achieve zero-carbon



# Sources of carbon credits

Marine market will always be 'short' –  
So where do the extra credits come from?



Purchased by ship owners who can not meet their emission targets

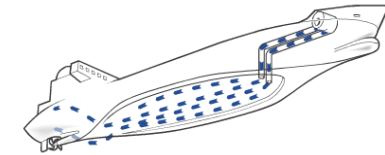


Generated by Shipowners

Technical Advances



New Fuels



Air Lubrication System



## Generated by Carbon Off-set Projects

Direct Projects



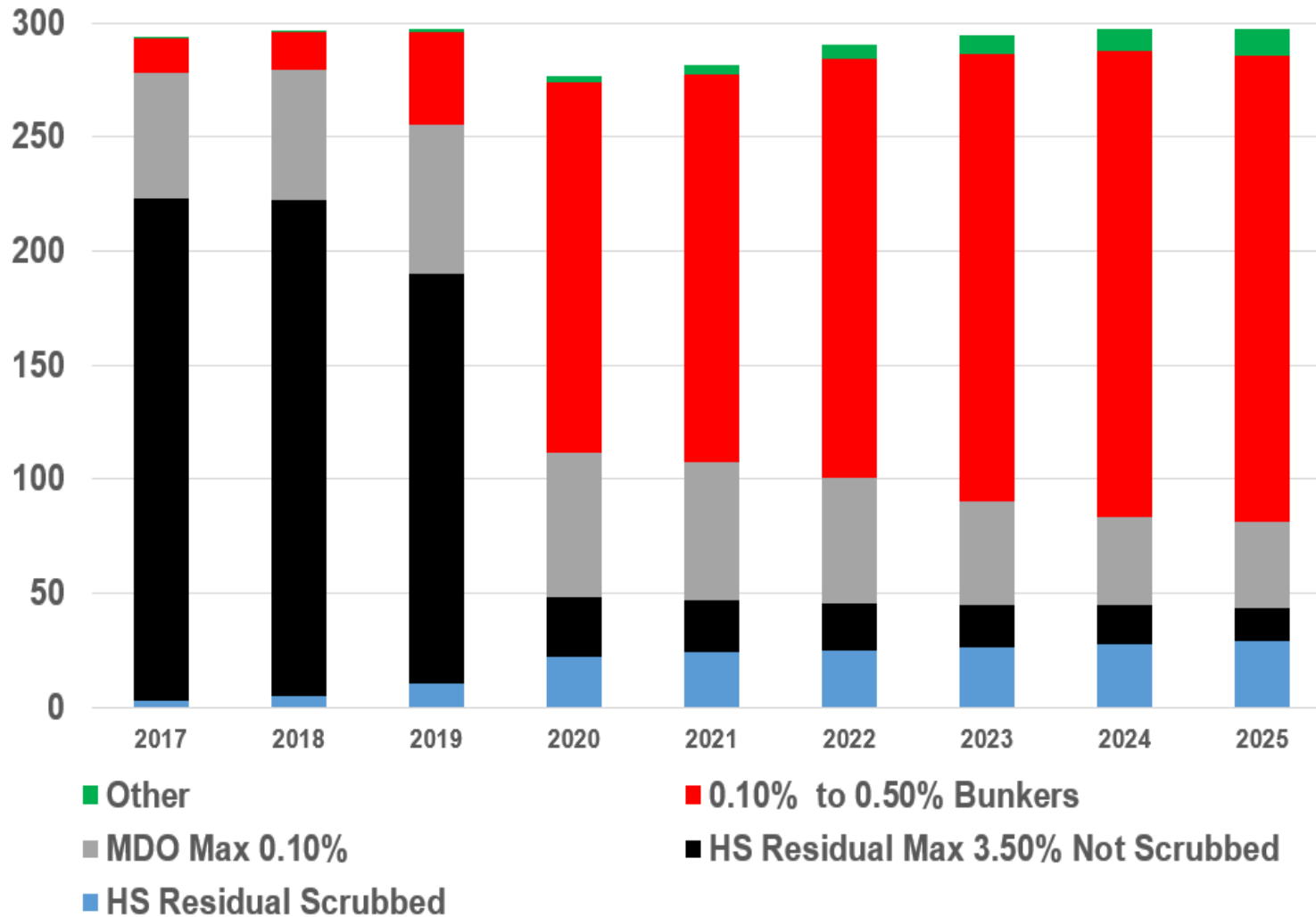
Carbon capture



Global emissions reduced at lowest cost



# Demand for conventional bunkers – million tons



- A 7% decrease this year
- Five years before tonnage reaches last year's levels
- Slow global economic recovery
- Ton mile growth slower than the economic recovery
- Introduction of low carbon fuels delayed

# In summary

- **Economic recovery will take at least three years**
- **International cooperation will deteriorate**
- **Growth in global trade will plateau**
- **Bunker demand will take five years to recover**
- **Credit will be scarce but remain cheap**
- **Continuing consolidation of owners and suppliers**
- **Greater focus on Market Based Measures**
- **Improving the environment will be temporarily slowed**

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