

# SHIP **ZERO** 28<sup>°</sup> LISW

ZESTAs Visionary Panel

SWOT Analysis: De-emissioning Shipping

The Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis was moderated by Carleen Walker, CEO & Co-founder of NAMEPA and CEO of SHIPPINGInsight, during the Visionary Panel at ShipZERO28 Day 1 on September 11th 2023.

The Visionary Panel consisted of:

- Cargo: Elisabeth Fauvelle Munck af Rosenschöld, Global Sustainability Manager at IKEA Supply AG
- Cargo: Richard Hixson, Co-founder HealthCare Ocean
- Banking: Michael Parker, Global Shipping, Logistics & Offshore at Citi Group and Chair of Poseidon Principles
- Shipowner: Danielle Southcott, Founder & CEO Veer Group, Zero Emissions container vessels
- Shipowner: William Fairclough, Managing Director, Wah Kwong Maritime Transport Holdings Limited, Hong Kong

“Our industry is in the midst of a transformational decade as we deliver decarbonizing solutions that are practical and commercially viable,” observed Carleen. “A SWOT approach helps us balance challenges and possibilities as we move forward—and move forward we must. I believe that this industry can do it, and I believe that each of us plays a role in that future. I not only believe it, I KNOW it!”

# STRENGTHS

- Significant technology is available today
- Supply chains & infrastructure: people want to invest, changes in perception and flows of money
- Solution oriented mindset – people make change
- Economic necessity: Essential service, the world cannot survive without ships, unlike aviation – there is no alternative for transporting goods
- Everyone gets it – easy concept
- Global regulator, IMO is a strength if channelled correctly
- We don’t need to wait – so much innovation is already out there, we can slice the problem into different parts
- Shipping is the only industry with accurate emissions data – no other industry has this – can be measured and improved on – people will believe you
- Centuries of experience of zero emissions shipping – in our blood
- Climate pressure increasing, younger generation are pushing market and putting pressure on employers
- Industry built on relationships – global family.
- Ambition – slow to start but we’ll be first to finish
- Like-minded people across whole value chain – finance, shipowners, tech, end users/cargo owners (eg NHS), legal
- Accessibility of C-suite – willingness to do trials compared to aviation

- Large baseload of potential decarbonisation because ships are so emitting – 10 large vessels can make a huge difference
- Industry is on board and part of dialogue, engaging in discussions – support and examples saying we can do this
- Seafarers – unique people working on assets who understand technology and the ocean

## WEAKNESSES

- Resistance from vested interests in fossil fuels
- Derived demand – the industry serves what's going on
- Industry overcapacity, belief that change will happen slowly. Ticking the box: ESG – risk of compliance without belief
- We exclude other pollutants – we have to consider wider damage to oceans
- Getting financing – capital is hard to unlock unless at large scale
- Renewable energy can be classified as a non-commodifiable energy source: complexity in incorporating into existing business models
- Shipping is a dirty word for financial regulators (this will change soon)
- Shipping has to compete with other industries for zero emission fuels
- Harmonisation of efforts is complex across wide geographic areas and operations
- Legacy asset owners don't want to stop using ships with long lifetimes which may become environmentally obsolete
- Shipping is split into siloes
- The physical time to develop solutions and prove viability is long – takes years, difficult to accept by finance or user – impatience
- Geopolitical vulnerability: rogue nations, competition between nations, damage to shipping from war, cost of global trade – can we afford to decarbonize?
- Primary energy source is not sufficient – speed of renewable energy rollout
- Not easy for start-ups to continue innovation, hard to attract talent
- Low margin business
- Complexity of maritime law – diffusion of responsibility
- Opaque industry – public does not see it, not a vote winner for government investment
- Fair and just transition for global south – majority of world is left out of this debate

# OPPORTUNITIES

- Disclose vessel emissions data
- Large emissions reductions possible
- Build and harmonise coalitions
- Global south: large renewable energy potential, transfer authority and autonomy
- Power to save lives by transporting critical materials and improve health of millions of people
- Wide range of ships are part of decarbonisation including small ships and passenger ships
- Biodiversity protection: large impact possible – underwater noise reduction, truly sustainable industry, global industry
- Better regulation – building on IMO – align with Paris Agreement in 2028, simplify regulation, designate seafarers as essential workers
- A lot of data – visibility and transparency of scope 3 emissions details & magnitude, important to engage everyone, targets, demonstrate value proposition, create new jobs
- Regulate to stop dumping through MARPOL
- Address holistic impacts – GHGs are driving the conversation but IMO is also looking at wider impacts & co-benefits for marine environment, environmental protection silos can be broken down
- Expansion of Marine Protected Areas (MPAs) – target for 30% of ocean by 2030, encourage zero emission ships
- Start ups – innovate, new companies taking over legacy operations
- Blue economy – includes shipping but also wider ocean industries - links with climate change, finance by governments, innovations and blue finance

# THREATS

## *Threats → Opportunities*

- Resistance from vested economic interests in fossil fuels → War on talent: the new generation won't work for companies associated with fossil fuels
- Will we be fast enough? How do we scale up quickly? Innovation in collaboration needed → put more pressure on cargo owners, shipping in demand
- Time pressure: as available data improves, people will feel more pressure to de-emission but waiting too long for data could stop action now, collaboration → IMO CARES: roundtables with donors, companies, tech original equipment manufacturers (OEMs), publicity of eye-catching projects e.g. wind propulsion
- Misinformation: the status quo of fossil fuels kills people, but public perception does not match this → more data, better comms, continue changing industry image, global maritime industry resource – centralised message

- Geopolitics: countries might delay IMO policy if they feel they don't get a fair deal
- Fossil fuels are embedded into the global economy: fuels, petrochemicals, plastics. by-products and others
- Populist politicians: changing the world costs votes for them
  - ◆ Younger generation will not tolerate business as usual (BAU), they are emerging into taxpayers and voters (in democracies) but transformation cannot be overnight due to longterm investments such as pension funds.
  - ◆ Share wealth, industries and knowledge with developing countries.
  - ◆ Hold accountable countries and companies for ecocide - accountability
- Absolute zero by 2043 presents a threat if an equitable transition not achieved: power game in oil & gas, exploitation of global south for fossil fuels
- Disconnect between industry and crews → make sure they are not forgotten
- Just and equitable transition meaning being misused – legal use – can also protect fossil fuels
- Supply chains for zero emissions fuels are missing, prices are not known, offtake agreements are difficult, selecting fuel uncertain → modular “swap-out” propulsion designs, novel business models e.g. energy as a service, small steps in infrastructure for flexible & mobile solutions
- Lack of political will & greenwashing → better emissions data, transparency.