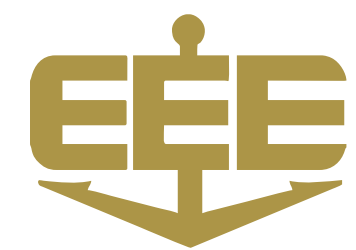




UNION OF GREEK SHIPOWNERS

ANNUAL REPORT 2019-20



UNION OF GREEK SHIPOWNERS



At the dawn of the new decade, shipping, in the first place, is called upon to meet the high environmental demands that have been placed on the international and European political agendas, while operating in an especially uncertain economic and geopolitical environment, which present major challenges: the prevalent tendency towards protectionism globally, trade wars between important trading nations, instances of reorganization and disruption of international trade, as well as the global health threat of COVID-19 and its dramatic consequences.

The second half of 2019 was marked by the intense preparation of the international shipping community for the transition, as of January 2020, to an era of new low sulphur marine fuels with a global sulphur cap of 0.5%. Shipping was called upon to apply a new regulation without the necessary guarantees regarding safety, availability and smooth operation, because the responsible stakeholders were not obliged and did not meet the requirement to produce and make safe new fuels available in sufficient quantities worldwide.

The Union of Greek Shipowners sounded the alarm promptly and repeatedly and thus acted as a lever for the United Nations International Maritime Organization (UN IMO) to take certain last-minute measures to facilitate the transition.

However, the shortcomings of the legislation on new low sulphur fuels should serve as an example of what needs to be avoided in connection with the ongoing legislative process for the adoption of measures to reduce Greenhouse Gas emissions from ships. The UN IMO has the responsibility for formulating and adopting realistic and effective global measures and should ensure that this is so before these measures come into force. As responsible citizens we support the “European Green Deal” and the European Commission’s vision for the protection of life and the environment on our planet. Under no circumstances, however, can considerations of a purely regional economic nature and revenue-generating policies be substituted for these objectives, as is the case with the proposals to revise and extend the EU Emissions Trading System (EU ETS).

In the midst of the pandemic that humanity is experiencing, shipping and its seafarers are offering irreplaceable services, providing the basic goods that our society needs in times

of peace, but especially in times of crisis. In this respect, the role of shipping requires and deserves international recognition and support by governments, in order to safeguard, the unimpeded provision of these necessary maritime transport services. Above all, however, the severe problems relating to the movement of seafarers and the changing of crews must be resolved immediately. The international community must ensure the smooth movement of seafarers around the world and give proper consideration to their health and welfare, which has a direct bearing on the safety of ships and navigation.

In addition, it is clear that shipping has inevitably also been hit by the global economic and trade shocks caused by the pandemic, resulting in a major deterioration of the freight markets, where there has been a drastic drop in freight rates and in demand for maritime transport services to almost zero for some categories of ships. Therefore, the sustainability of shipping companies must be urgently ensured, a basic prerequisite of which is guaranteeing their liquidity and granting flexibility for loan repayments.

To this end, the European institutions and competent authorities as well as the financial institutions were promptly informed about the need to include shipping companies to the horizontal supporting measures entailing, inter alia, the deferral on loans amortization for a determinable time frame, which have been adopted through legislative or non-legislative moratoria by the vast majority of the EU Member States, including Greece, and their supervisory banking authorities.

Within our national borders, the challenge for but also the vision of Greek shipping remains the immediate enhancement of the competitiveness of the Greek register, in order to stop the flagging-out of ships, before the situation becomes irreversible, as well as the revival of the seamanship of our nation. The two interrelated issues need a holistic approach and strategy and are priorities of national maritime policy.

In this context, the recent legislative initiatives for the signing-on of Greek seafarers onboard ships, flying the Greek flag, will give a new impetus and dynamics to the Greek register, making it an attractive choice for our ships. At the same time, young people, seeking employment and vocational opportunities, can now pursue a career in the maritime profession, as they can be recruited on competitive terms, compatible with those in the

international maritime labour market. In this respect and due to the recent change in the legal framework for graduates of the Vocational High Schools with Maritime Focus, they have regained the right to be promoted up to the position of Master and Chief Engineer and this is a most positive development.

Moreover, the Ministry of Maritime Affairs and Insular Policy has announced its cooperation with the Eugenides Foundation for the conduct of a study for the overall upgrading and modernization of the maritime education system. We are waiting for the results of this study with special interest so that our maritime education will be able to continue successfully meeting contemporary requirements for the creation of well-trained officers.

Finally, the Greek Shipowners’ Social Welfare Company “SYN-ENOSIS” continues its dynamic presence and actions which are leaving a distinct mark on the social welfare of our society. Special mention should be made to the donation of 10 high-speed vessels to the Hellenic Coast Guard, which will cover the increased needs for patrolling the Greek seas, as well as to the undertaking of the renovation of the sanitary facilities of public hospitals in the Attica region and the provision of consumable supplies for all hospitals, including the needs of the ambulances of the National Emergency Aid Centre. SYN-ENOSIS’ work culminated in a donation of over 13 million euros for sanitary and technological equipment to the National Health System to deal with the COVID-19 pandemic. Our vision remains to be able to pass on to the next generations this important work and establish the shipping community as a model of social solidarity and contribution in our country.

The challenges facing merchant shipping internationally in the near and medium future are many and varied. However, Greek shipping has strengthened historically in times of crisis and has the foundations to maintain its leadership, offering our country exceptional economic, diplomatic and strategic advantages.

Theodore E. Veniamis



01 GREEK SHIPPING AND THE ECONOMY

The Strategic and Economic Role of Greek Shipping

- Global Shipping Outlook
- The Greek-Owned Fleet

The Strategic and Economic Role of Greek Shipping

Global Shipping Outlook

The pace of global economic activity remained weak throughout 2019, with declining momentum in manufacturing activity and rising trade and geopolitical tensions, especially between the United States of America (U.S.) and China. Uncertainty about the future of global trading system and international co-operation more generally has had an impact on business confidence, investment decisions and global trade¹, with trade volumes increasing by a marginal 0.3% in 2019². Projections for trade volume growth in 2020, prior to the new coronavirus (COVID-19) outbreak, hovered around 2.7%³, denoting a fragile recovery anyway. The unprecedented global crisis that was brought about by the coronavirus pandemic has made the outlook for the global economy and international seaborne trade for 2020 even more precarious and gloomy. For example, the World Trade Organization (WTO) forecasts⁴ that the world trade is expected to fall by between 13% and 32% in 2020.

Financially, many shipping sectors have been faced with a sudden and steep drop in demand, which in turn has considerably affected freight rates and earnings. In the dry bulk segment, for example, average daily earnings between January and April 2020, compared to 2019, were more than 85% lower for capesizes, 40% lower for Panamax

and 35% lower for Supramaxes⁵. Though these rates could recover somewhat as Chinese factories come back online, the looming global recession and accompanying drop in global demand resulting from the lockdowns in Europe and North America have severely impacted on demand for shipping services.

The lockdown in Europe and North America will have considerable knock-on effects on employment rates, too. The International Monetary Fund (IMF) has declared that the COVID-19 pandemic will likely push the global economy into its worst recession since the Great Depression⁶, warning that prospects over a global rebound are highly uncertain. The recession in shipping is projected to last more than a year and shipping activity is not expected to improve in the following few months. This is also because, with shipping being a global industry, much of its activity takes place in the southern hemisphere, where major exporting countries of raw materials, such as Brazil, have only recently started being hit by COVID-19 as hard, if not harder.

¹ IMF, *Global Economic Outlook*, October 2019
² IHS Markit, *Outlook for Global Trade in 2020*, January 2020
³ WTO, *WTO lowers trade forecast as tensions unsettle global economy*, Press Release, 1 October 2019
⁴ WTO, *Trade set to plunge as COVID-19 pandemic upends global economy*, Press Release, 8 April 2020
⁵ Clarksons Research, *Shipping Intelligence Weekly - Issue No 1417*, 3 April 2020
⁶ IMF, *The Great Lockdown: Worst Economic Downturn Since the Great Depression*, 14 April 2020

The Greek-Owned Fleet

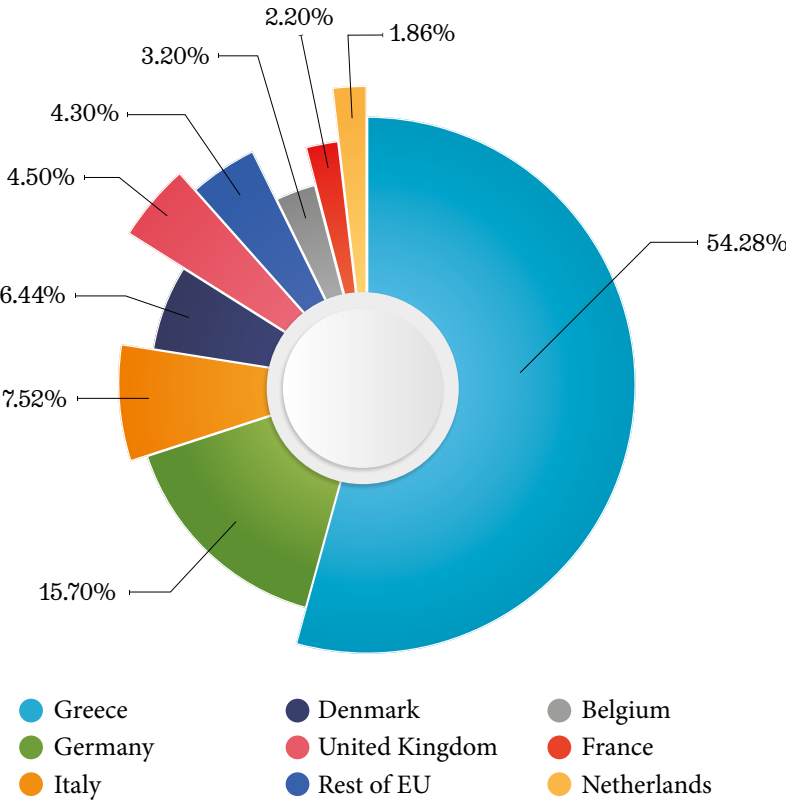
The top five shipowning nations include Greece, Japan, China, Singapore and Hong Kong. These five countries account for more than 50% of the world's tonnage. In recent years Germany, Japan and the Republic of Korea have been losing ground, while Greece, Singapore, China and Hong Kong have increased the size of their fleet⁷.

Greece remains the world's largest shipowning nation. Though the country accounts for only 0.16% of the world's population, Greek shipowners own 20.67% of global tonnage⁸ and 54.28% of the

European Union (EU)-controlled tonnage (Figure 1)⁹. Between 2007 and 2019, Greek shipowners have more than doubled the carrying capacity of their fleet (Figure 2)¹⁰, while they control (Figure 3)¹¹:

- 32.64% of the world tanker fleet, 15.14% of the world chemical and products tankers and 16.33% of the global LNG / LPG fleet,
- 21.7% of the world bulk carriers, and
- 8.92% of the world container vessels.

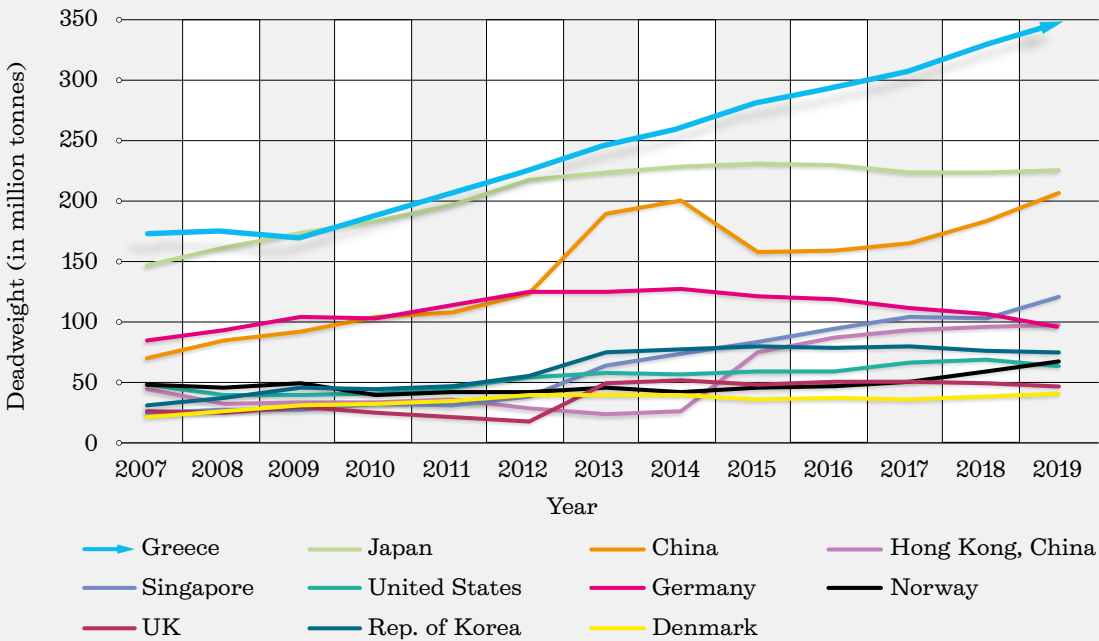
FIGURE 1
Ownership of the EU Merchant Fleet
(in dwt, ships>1,000 gt)



Source: European Commission, *EU Transport in Figures, Statistical Pocketbook 2019* (2018 data)

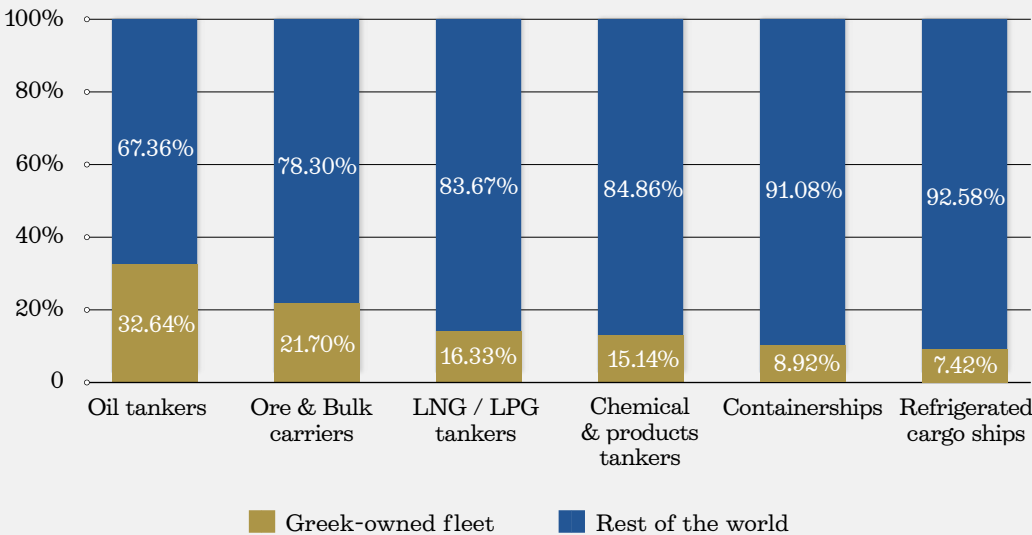
⁷ United Nations Conference on Trade and Development (UNCTAD), *Review of Maritime Transport*, 2019
⁸ IHS Global Limited, January 2020
⁹ European Commission, *EU Transport in Figures, Statistical Pocketbook 2019*
¹⁰ UNCTAD, *Review of Maritime Transport, 2007 - 2019*
¹¹ IHS Global Limited, January 2020

FIGURE 2
Ownership of the World Fleet, 2007-2019
(in dwt, ships>1,000 gt)



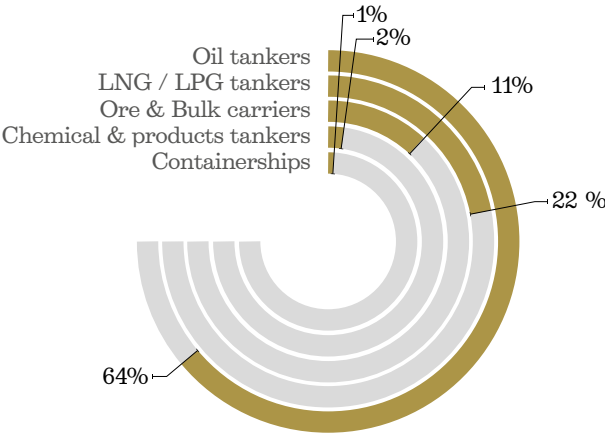
Source: UNCTAD, Review of Maritime Transport, 2007-2019

FIGURE 3
Share of Greek-Owned Fleet in World Fleet
by Main Ship Type
(in dwt, ships>1,000 gt)



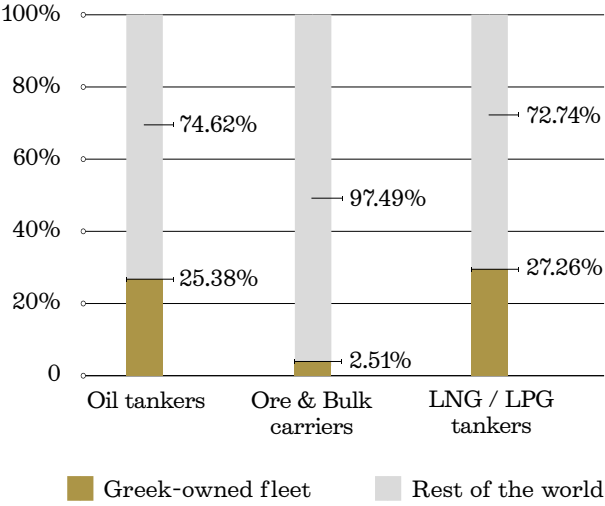
Source: IHS Global Limited, January 2020

FIGURE 4
Orderbook of Greek-Owned Fleet,
Ship Type Analysis
(in dwt, ships>1,000 gt)



Source: IHS Global Limited, January 2020

FIGURE 5
World Orderbook
by Main Ship Type
(in dwt, ships>1,000 gt)



Source: IHS Global Limited, January 2020

Newbuilding orders by Greek interests amounted to 128 vessels (over 1,000 gt) or 15.928 million deadweight tonnes (dwt) out of a global total of 2,425 orders of 166.825 million dwt at the beginning of 2020¹² in diverse ship types (Figures 4 & 5)¹³. Greek shipowners have been investing heavily in new, efficient ships, with the average age of the Greek-owned fleet (9.17 years) being lower than the average age of the world fleet (9.61 years)¹⁴.

In fact, 28.61% of the Greek-owned fleet under EU flags was built after 2013 and according to the global standard of the Energy Efficiency Design Index - EEDI (MARPOL, Annex VI, Reg. 21), which guarantees better energy efficiency¹⁵. The corresponding percentage for the EU-flagged fleet is 21% and 23.2% for the world fleet. Additionally, the average size of Greek-owned vessels at 81,118 dwt is almost double than the average vessel size of the world fleet which is 43,766 dwt¹⁶. Economies of scale improve efficiency and environmental gains, thereby reducing even further the carbon footprint of Greek shipping.

Greece remains on the UN IMO "List of confirmed Standards of Training, Certification and Watchkeeping for Seafarers (STCW) Parties" and on the White Lists of the Paris and the Tokyo Memorandum of Understanding, while it is one of the safest fleets worldwide with 0.96% of the Greek merchant fleet (based on number of ships) and 0.37% of the fleet (based on tonnage) being involved in minor accidents¹⁷. The Greek Register numbers 706 vessels (over 1,000 gt) amounting to 39.19 million gt. The Greek-flagged fleet ranks 8th internationally (Figure 6) and 2nd in the EU (in terms of dwt) (Figure 7)¹⁸.

¹² IHS Global Limited, January 2020

¹³ IHS Global Limited, January 2020

¹⁴ IHS Global Limited, January 2020

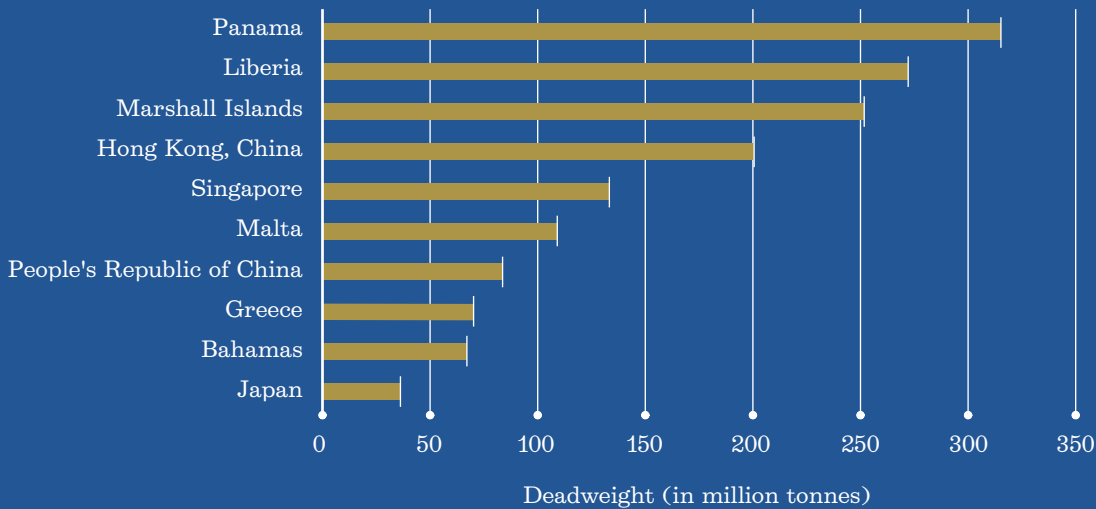
¹⁵ IHS Global Limited, January 2020

¹⁶ IHS Global Limited, January 2020

¹⁷ Hellenic Statistical Authority (ELSTAT), Maritime accidents on Greek merchant ships of 100 GRT and over and persons injured on board of ships and in areas of port authorities: 2019, 31 March 2020

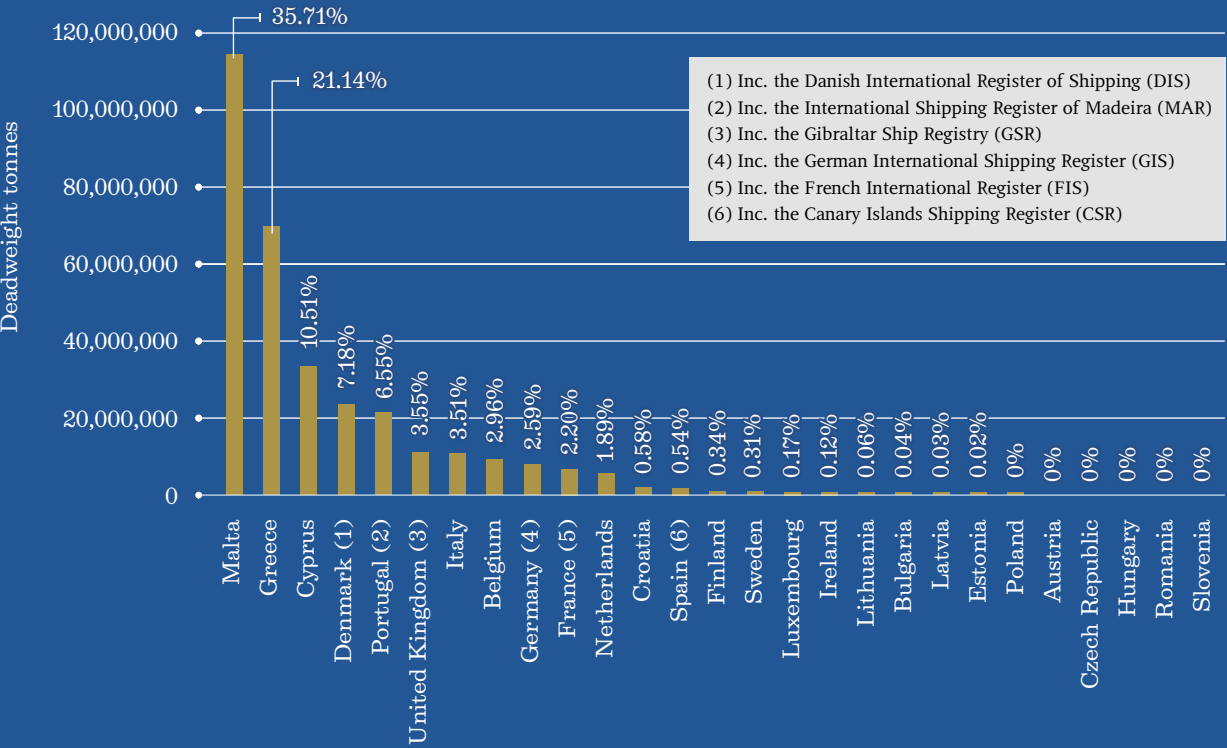
¹⁸ IHS Global Limited, January 2020

FIGURE 6
Top 10 Merchant Fleets of the World - by Registration
(in dwt, ships>1,000 gt)



Source: IHS Global Limited, January 2020

FIGURE 7
Merchant Fleets of the EU - by Flag
(in dwt, ships>1,000 gt)



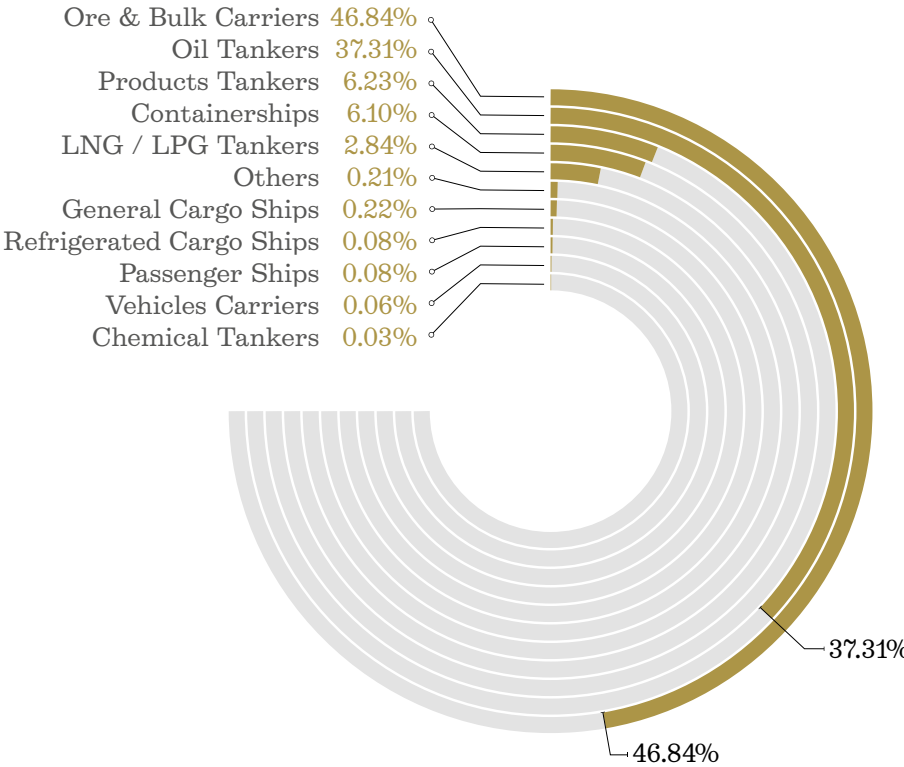
Source: IHS Global Limited, January 2020

Greek shipping is one of the cornerstones of the global economy and a major facilitator of global trade, while constituting a pillar of the Greek economy. Greek shipowners are primarily involved in bulk / tramp shipping (Figure 8), which is an example of a sector with characteristics of perfect competition. Comprising mostly small and medium-sized, privately-owned / family businesses, Greek shipping is very flexible and adaptable to changing economic environments and trade flows. It mainly carries staples that are essential for the EU and global economies, including agricultural and forest products, oil and oil products, gas, chemical products, iron and other ores, coal and fertilizers. Importantly, the Greek-owned fleet is the world's largest cross-trading fleet, with more than 98% of its trading capacity carrying cargoes between third countries¹⁹.

Greek shipping is also of strategic importance to the EU, as both its economy and the welfare of its citizens rely on access to affordable energy. Importing 88% of its crude oil needs, 74% of its natural gas needs and 44% of its solid fossil fuels needs²⁰, the EU heavily relies on maritime transport. With energy security concerns on the rise, Greek shipping plays a crucial role in securing the EU's diverse energy imports from remote regions of the world. Its strategic importance is also evidenced by the fact that the EU relies on international shipping for approximately 76% of its external trade²¹.

Greek shipping remains one of the pillars of the Greek economy. The receipts in the country's Services Balance of Payments from maritime transport amounted to approximately €17,303 million for the fiscal year of 2019, which represents a 4.05% year-on-year growth (Figure 9)²².

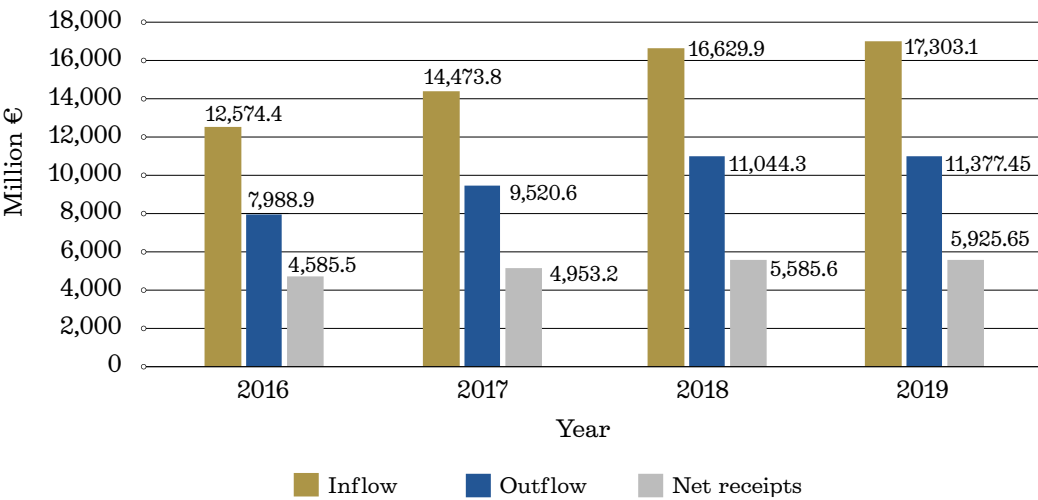
FIGURE 8
Ship Type Analysis of the Greek-Owned Fleet
(in dwt, ships>1,000 gt)



Source: IHS Global Limited, January 2020

¹⁹ Lloyd's List, *Maritime Intelligence*, 2016
²⁰ European Commission, *EU Energy in Figures*, Statistical Pocketbook 2019
²¹ European Commission, *EU Transport in Figures*, Statistical Pocketbook 2019
²² Bank of Greece, February 2020

FIGURE 9
Foreign Exchange Earnings of Greece From Shipping
(in million €)



Source: Bank of Greece, February 2020

However, the industry’s contribution to the Greek economy is far broader than its input to the Services Balance of Payments. Greek shipping is at the heart of a thriving maritime cluster that generates investments and employment opportunities in the country. A recent study concludes that the total contribution of the Greek shipping industry in the country, including indirect and induced effects, exceeded €11 billion in 2019 accounting for 6.6% of the Gross Domestic Product (GDP)²³. Its total contribution in terms of jobs created or sustained in Greece, including indirect and induced employment, surpasses 3% of total Greek employment. Greek shipping, by its size and characteristics, also sets

Greece apart as lynchpin of the multilateral trading system, despite the country’s relatively modest size. It is an essential and strategic partner of major trading nations: approximately 22% and 20% of the fleet’s activity serves the U.S. and European trade respectively, while the greatest share, approximately 32%, serves the fast-growing Asian economies²⁴.

In addition to all the above, Greek shipowners have been very actively engaging in social welfare initiatives while the Union of Greek Shipowners (UGS) is the only industry group in Greece that has developed its own social welfare company, i.e. “SYN-ENOSIS”.

Greek shipping is one of the cornerstones of the global economy and a major facilitator of international trade, while constituting a major pillar of the Greek economy.

²³ Deloitte, *Impact Analysis of the Greek Shipping Industry*, January 2020

²⁴ Lloyd’s List, *Maritime Intelligence*, 2016



The Greek-owned fleet is one of the safest, most energy efficient and environmentally-friendly fleets.

02

SHIPPING POLICY

- Impact of COVID-19 on shipping
- Competitiveness:
enabling EU shipping to compete on the global stage
- Global Trade:
defending the global trading system and safeguarding open access to markets
- EU ship-finance:
a crucial factor for EU shipping to remain competitive globally
- Short Sea Shipping:
a green alternative to land-based transport modes
- Piracy and Armed Robbery:
urgent action needed to protect crews and vessels in the Gulf of Guinea
- Protection of Marine Biodiversity in the High Seas:
safeguarding shipping's global regulatory framework
- EU Shipping and Taxation:
securing a stable and competitive tax framework
- Social Aspects:
fostering the next generation of seafarers

Impact of COVID-19 on shipping

The consequences of COVID-19 have been widespread, manifold and yet not fully known. As the crisis unfolds, operations of shipping companies and related industries, such as terminals, ports, freight forwarders etc., have severely been affected. The ensuing financial problems have placed several shipping companies under great strain. Certain recovery measures that mainly focus on the provision of the necessary flexibility and liquidity of shipping companies should urgently be adopted and speedily implemented in order for them to reach businesses effectively in practice. Such measures should

ensure that shipping companies can survive during this extraordinary crisis and can recover from its devastating effects once this is over, safeguarding their long-term sustainability. Indicatively, such measures should include, *inter alia*, the granting of a deferral on amortization and suspension of payment of scheduled instalments of shipping loans for a determinable time frame, e.g. an 18-month period, as well as the suspension of the contractual function of the legal consequences of the default clauses of shipping finance agreements and the incorporated Loan-to-Value clauses.

The EU should help shipping companies retain their liquidity for the continuation of their essential services through this crisis and during the subsequent recovery.

Crew changes have also been greatly disrupted, jeopardising crew and ship safety. Travel restrictions, including suspension of international flights and ban of crew changes in most ports around the world, resulted in the companies not being able to arrange the replacement of seafarers whose employment agreements have come to an end. In addition, the renewal of STCW certificates as well as the endorsement of third country STCW certificates, which expired or are about to expire have also been impeded. In this context, it is commendable

that following the UN IMO's recommendations and International Labour Organization's (ILO) advice, flag and port states have assisted the shipping sector in respect of extensions of seafarers' employment agreements and of the STCW certifications. However, it is of the utmost importance for the governments to understand that seafarers are keeping the world's maritime trade functioning and recognise them as essential workers by implementing crew changes facilitation protocols as soon as possible.

For shipping operations to continue safely and smoothly, seafarers need to be granted exemptions from any national travel restrictions while crew changes should resume globally the soonest possible.



With regard to maritime safety and environmental protection, the COVID-19 pandemic has also had unprecedented consequences. Ships face difficulties regarding inspections for the renewal / re-issuance of their certificates according to UN IMO's international Conventions, which usually require drydocking, repairs and/or installation of new equipment. Their smooth operation has, in many cases, been disrupted, as access to shipyards and repair facilities has become formidable for all involved stakeholders.

The UGS welcomes the flexible and practical approach that has been practised by flags, port state control regimes and classification societies, under UN IMO's guidance, in order to address COVID-19 pandemic implications for maritime safety and environmental protection. It is also hoped that UN IMO meetings will resume in the autumn and that the UN IMO will remain on track to finalise its ambitious Strategy on the reduction of Green-house Gas (GHG) emissions from ships.

Competitiveness: enabling EU shipping to compete on the global stage

Controlling almost 40% of the world's tonnage, the EU shipping industry, a major strategic and economic asset with a cross-trading and international character in its largest share, draws from a long and proud tradition of maritime excellence.

As one of the key facilitators of global trade, EU shipping needs a flexible and predictable legal framework that is outward-looking and fit for purpose. The foundation of the EU shipping industry's competitive position are the EU Guidelines on State Aid to Maritime Transport (SAGs), a bespoke EU policy framework that has allowed EU shipping to keep pace with the competition and to face global headwinds. The preservation of the existing SAGs is vital for the global competitiveness of EU shipping, especially post COVID-19. The development of

the EU shipping policy should be horizontal and focus on safeguarding an international level playing field, in order for the EU to maintain its maritime leadership and independence.

Being an industry that is inherently global, shipping needs global regulations set by UN bodies, such as the UN IMO and the ILO. In these fora, the EU should play a leading role and strive to be at the forefront of all relevant deliberations as well as to shape its maritime policies in line with the adopted international Conventions and regulations honouring its important "flag state" status.

The EU should intensify efforts to maintain a global level playing field for its shipping industry and act as the important "flag state" it is.





Global Trade: defending the global trading system and safeguarding open access to markets

For decades, global economic growth has been stimulated through free trade, the liberalisation of national economies and open access to global markets. Shipping serves international trade with over 90% of goods being carried by sea. However, increasingly inward-looking policies and the rise of growing commercial and maritime protectionism are putting the multilateral trading system at risk and are weighing down on the outlook of global seaborne trade.

The emergent debate over the role and future direction of the WTO, the body underpinning the rules-based global trading system, is a direct result of the difficulties to reach an agreement on various important institutional topics. Unilateral action, the challenge of the WTO's dispute settlement mechanism and the flouting of WTO rules cast a

long shadow over the organisation's future role and legitimacy. In these times of uncertainty, the EU, the world's largest trading block, must become a bulwark against protectionism and the standard-bearer for the post-war liberal economic order, by contributing to the adaptation and further strengthening of the multilateral trading system.

Trade tensions between China and the U.S., the world's two largest economies, as well as those between the U.S. and the EU may lead to an all-out trade war that could deal a serious blow to global economic growth and undoubtedly impact on global maritime trade patterns. The UGS believes that the EU's free trade agenda should be further promoted in its trade-related negotiations with third countries, thereby safeguarding free and non-discriminatory access to international maritime transport services.



The EU should ensure the inclusion of maritime transport services provisions in bilateral and multilateral free trade agreements.

EU ship-finance: a crucial factor for EU shipping to remain competitive globally

Shipping is a capital-intensive business. The EU shipping industry is dominated by a large number of private / family-owned businesses which predominantly rely on bank lending, not capital markets, to cover their financing needs. Therefore, to remain competitive in the face of increasingly fierce global competition, EU shipowners must continue to have access to adequate and attractive financing in Europe.

Having a strong ship financing community in Europe would allow shipping companies to maintain their presence in Europe and globally and their role as the beating heart of the broader EU maritime cluster. Introducing further restrictive measures

and increased capital requirements in an already limited ship financing system, especially if these are stricter than the ones applicable in other parts of the world, would render traditional lenders even more reluctant given the shipping sector's inherent risks. This would seriously damage EU shipping industry's prospects, undermine the wider maritime cluster and possibly disrupt international seaborne trade.

Therefore, in order to ensure a global level playing field for the sector, the EU should aim at adopting comprehensive and concrete financing policies which take due account of the needs and special characteristics of EU shipping industry.

EU shipping needs access to adequate and sustainable EU financing that would help the sector to maintain its long-term sustainability and global competitiveness and presence.

Short Sea Shipping: a green alternative to land-based transport modes

Carrying over 30% of intra-EU trade, Short Sea Shipping (SSS) is an essential part of the EU transport system and a crucial link in global and regional logistics chains. SSS is more environmentally friendly than land-based alternatives. However, it is weighed down by cumbersome reporting procedures and arcane administrative formalities, to which other transport modes are not subjected.

The adoption of the EU Regulation 2019/1239 establishing a European Maritime Single Window environment (EMSWe) is a positive step towards the simplification of port procedures and the reduction of red tape. In the context of the ongoing work to implement the EMSWe, the European Commission should focus on delivering a comprehensive, harmonised, EU-wide data set that will include all administrative and operational information elements that might be requested by authorities.

Furthermore, the performance of SSS depends on the efficiency of all stakeholders in the maritime logistics chain (e.g. ports, pilots) and the entire infrastructure network (e.g. port infrastructure, hinterland connections). In this respect, special attention should be paid to the simplification and digitalisation of customs formalities, the provision of competitive and efficient towing services, as well as the issuance of the Pilotage Exemption Certificates (PECs) for vessels providing non-scheduled, but frequent, SSS services.

Considering Short Sea Shipping's superior energy efficiency, the EU would greatly benefit from an EU SSS strategy that would help coordinate efforts across portfolios and explore ways to incentivise the much-needed shift of transport from road / rail to sea.



Short Sea Shipping needs rapid and simplified administrative and customs procedures at EU ports, which will improve the efficiency of logistics chains.

Piracy and Armed Robbery: urgent action needed to protect crews and vessels in the Gulf of Guinea

Maritime insecurity disrupts trade flows and constitutes a serious threat to the safety and security of both seafarers and vessels. Despite overall piracy incidents declining in 2019, the number of crew kidnappings across the Gulf of Guinea has reached alarming levels and constitutes a global emergency for the shipping industry. The region accounted for 90% of global kidnappings reported, with 121 crew members taken in 2019, up from 78 in 2018²⁵.

Maritime transport is key to Africa's connectivity, trade and development. In that respect, maritime security is a prerequisite for fostering and securing

the region's trade and economic growth. A deficient security situation imposes additional, high costs on imports and exports and thus jeopardises jobs and economic activity in the area.

Further action to curb the recent spate of attacks on seafarers and vessels operating in the Gulf of Guinea is needed. Any initiative towards the strengthening of maritime security in the region, such as the Co-ordinated Maritime Presences (CMP) that the European External Action Service (EEAS) is considering, should be encouraged.

The EU and its Member States, in close co-operation with African states and the engagement of other interested stakeholders, should take concrete action against armed robbery and kidnappings in the Gulf of Guinea.

Protection of Marine Biodiversity in the High Seas: safeguarding shipping's global regulatory framework

The development of a new global agreement to protect Marine Biodiversity of areas Beyond National Jurisdiction (BBNJ) has attracted the interest of the shipping industry over the last two years.

In seeking to establish Marine Protected Areas in the high seas, the new international agreement on BBNJ should re-affirm the fundamental principles of the UN Convention on the Law of the Sea (UNCLOS), such as freedom of the high seas, and keeping the existing balance between the rights and obligations of flag states, coastal states and port states.

Governments should also ensure that the outcome of the high-level negotiations acknowledges that the UN IMO remains the primary regulator of the international shipping industry.

The new agreement on BBNJ should duly recognise the UN IMO's global authority to regulate the international shipping industry and respect fundamental UNCLOS principles.

EU Shipping and Taxation: securing a stable and competitive tax framework

Taxation and other fiscal incentives are considered to be the preponderant factor for the competitiveness of shipping. In 2017, a study on the competitiveness of EU shipping²⁶ revealed that several elements of the EU taxation framework are less competitive than those of other international shipping centers, an observation that holds true to this day.

The Organisation for Economic Co-operation and Development (OECD), the UN and the EU are currently contemplating potential taxation policy reforms, which the shipping industry is closely

monitoring. At EU level, there is particular concern about the discussion pertaining to potential reforms of the VAT regime, Corporate Taxation, Energy Taxation and Digitalisation.

The global challenges the EU shipping industry faces require a more globally oriented policy. Therefore, the EU should actively participate and influence the international discussions at OECD and/or UN level in order to ensure legal and tax certainty and stability at international level.

²⁵ International Chamber of Commerce (ICC), International Maritime Bureau (IMB), *Piracy and Armed Robbery against Ships*, January 2020

²⁶ Monitor Deloitte, *EU Shipping Competitiveness Study, International Benchmark Analysis*, February 2017

Additionally, the possible revision of the EU Energy Taxation Directive (ETD) to revoke the tax-free status of bunkers and luboils for ships would be ineffective and counterproductive as most ships calling at EU ports would simply bunker outside Europe. This could in turn lead to a significant shift to other modes of transport with a much bigger carbon footprint than shipping. The ETD should, therefore, remain unchanged in order to reflect and safeguard a standard practice which is applicable all over the world.

The abolition in the EU of the tax free status of marine bunkers, which apply internationally, will be ineffective and counterproductive.



Social Aspects:
fostering the next generation of seafarers

At EU level, the European Community Shipowners' Associations (ECSA), recognising the importance of the human element for the sector's sustainability, launched in October 2019 the "EU Maritime Growth Plan for Sustainable Maritime Jobs, Growth and Competitiveness". This initiative, which the UGS fully supports, outlines the EU shipowners' proposals for the enhancement of EU seafarers' employability prospects without compromising the EU fleet's global competitiveness.

At national level, the UGS supports a comprehensive reform of the Greek maritime education system as a top priority for the Greek State. Building on its seafaring tradition and know-how, the UGS believes that Greece should be able to generate greater numbers of high-quality officers given the needs of both the Greek-owned and more broadly the global fleet. By doing so, Greece would ensure that its tradition of maritime excellence, which has set it apart for centuries, is preserved and expanded.



Concrete steps should be taken to ensure that the tradition of maritime excellence in Greece is preserved and expanded.

03

MARITIME SAFETY AND PROTECTION OF THE ENVIRONMENT

- GHG Emissions Reduction from Ships:
aligning concrete measures with long-term objectives
- New 0.5% Global Sulphur Cap in Marine Fuels:
shipping enters a new compliance era with many outstanding difficulties
- Ship Recycling:
making strides towards the ratification of the Hong Kong Convention

GHG Emissions Reduction from Ships: aligning concrete measures with long-term objectives

Ongoing work at UN IMO primarily focuses on short-term GHG emissions reduction measures for early action. The UGS favours an approach which will ensure that charterers bear their fair share of responsibility for a ship's carbon footprint. This is because, in tramp shipping, it is usually the charterer who controls the vessel's itinerary, cargo type and quantity, service speed and fuel consumption. Therefore, the UGS supports the proposal made by Greece *et al.* for the limitation of main engine shaft power as a measure that will yield immediate results and will help bring about behavioural change without stifling innovation and without jeopardising the bulk / tramp shipping business model.

This approach is based on the EEDI regulation, an important ongoing mandatory measure that was adopted by the UN IMO in 2011 and implemented on new build ships since 2013. This measure already provides tangible carbon intensity reductions and its extension to ships built before 2013 qualifies as the best available short-term measure as it allows existing ships to conform to

higher technical efficiency standards through shaft power limitations. It also provides a means for international shipping to achieve the UN IMO's 2030 goals. The proposal includes a review in 2027. In addition, the establishment of a Ship Energy Efficiency Management Plan (super SEEMP), as an operational measure to complement technical measures, may safeguard the accomplishment of the UN IMO's 2030 goals, if necessary.

As shipping is a genuinely global industry, global measures at UN IMO level are the most effective way forward. Regional measures contemplated by the European Commission in the framework of its recently announced Green Deal, such as the inclusion of shipping in the EU Emissions Trading System (ETS) would undermine the industry's global regulatory framework, as well as the UN IMO's efforts for a global level playing field. The ETS is not appropriate for shipping and would lead to a host of unintended consequences, including market distortion, carbon leakage and a modal shift from sea to road.

For shipping to truly decarbonise in the long-term, the substantial technological gap between the UN IMO's 2050 objective and the current state of affairs must be bridged. Shipping will have to undergo a paradigm shift similar to the move from sail to steam in the late 19th century. Without innovation in alternative fuels, shipping will remain carbon captive. The best choice for the existing fleet would be "drop-in" fuels from renewable sources. Therefore, the International Maritime Research Fund (IMRF) proposed by the shipping industry, which includes core funding from shipping companies across the world of about \$ 5 billion over a 10-year period, is more timely than ever.

Once a technological long-term solution has been found, an appropriate and effective global

Market-Based Measure (MBM) could facilitate in the medium-term the transition to a decarbonised future. For a change of this scale to materialise, however, shipowners alone cannot be held responsible.

In fact, shipowners order ships in the same way that individuals buy cars. The manufacturer of the vehicle (in this case the shipbuilder) is responsible for the environmental characteristics of the vessel but not for the fuels it will use. Therefore, all actors in the maritime value chain, from engine manufacturers and shipyards to ports and fuel suppliers, should actively participate from the outset, to ensure compatibility of solutions and improve vertical and horizontal efficiencies.

The UGS supports a short-term measure focusing on main engine power limitation that can lead to immediate carbon intensity gains while research must be prioritised as soon as possible to provide for longer-term solutions. A super SEEMP can be an effective complement.



New 0.5% Global Sulphur Cap in Marine Fuels: shipping enters a new compliance era with many outstanding difficulties

The new UN IMO rules that entered into force on January 1st, 2020, reducing the global sulphur cap for marine fuels to 0.5%, represent a major turning point for the shipping industry.

However, despite urgent warnings by many industry stakeholders and several calls for corrective action in the lead up to the new UN IMO regulation, few steps have been taken by the UN IMO and flag states to mitigate risks pertaining to ship marine fuel safety and worldwide fuel availability.

The global supply of compliant 0.5% marine fuel is still lagging behind actual demand. Currently, the shortage is mainly addressed by using blended fuels, which are often unsafe and unsuitable, as recent confirmed worldwide cases of “off-spec” fuel deliveries illustrate. Shortages and safety risks are compounded by the added operational and financial burden on shipowners linked to the disposal of fuel found to be non-compliant after it has been bunkered. Given these practical impediments to implementation, the UN IMO carriage ban of non-compliant fuels on board ships generates additional uncertainties and presents further challenges.

Compliance is highly contingent upon the worldwide availability of safe, “on-spec” 0.5% sulphur marine fuels that are fit for purpose, for which oil companies, refiners and bunker suppliers

must assume responsibility. Consequently, the implementation of the UN IMO’s sulphur cap is in large part beyond the control of many ship operators. It presents many segments of the shipping industry with a daunting challenge and warrants a more practical and pragmatic approach from port and flag states, pending the ramp up of compliant fuel production.

The objective of the 2020 global sulphur cap is for all ships to use low sulphur marine fuels in the interest of reducing air pollution and protecting human health. Shipowners may exceptionally comply by installing Exhaust Gas Cleaning Systems (EGCSs or scrubbers) to clean exhaust gases before they are released into the atmosphere, while discharging sulphur and other residues into the sea.

However, the uptake of these systems has raised concerns regarding the environmental impact of their effluent discharges, leading to the unilateral banning of open-loop scrubbers in many ports and territorial waters around the world. In this context, the UN IMO has launched a comprehensive impact assessment, to be complemented by an evaluation and harmonisation of the rules and guidance on scrubber discharges, based on scientific evidence, and develop regulatory measures and instruments as appropriate.

During the initial phase of implementation of the UN IMO’s sulphur cap, flag state and port state control authorities should deal with vessels fairly and on a case-by-case basis, as compliance often depends on operational parameters beyond the control of ship operators and crews.

Ship Recycling: making strides towards the ratification of the Hong Kong Convention

In 2019, the ratification by India, the largest ship recycling country, of the UN IMO Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (HKC, 2009) brought the world closer to the HKC’s entry into force and marked a new milestone towards achieving safe and environmentally sound ship recycling worldwide.

Although not yet into force, the HKC is already driving real changes on the ground. More than 65% of the ship recycling yards based in Alang, India have voluntarily requested and received statements of compliance with the HKC by third parties, a testament to the commitment of South Asian yards

to raising their standards and to the progress made in ship recycling practices.

The EU Ship Recycling Regulation is an inadequate tool with contradictory standards as it does not include facilities with enough capacity to meet the needs of the EU shipping industry, while the European Commission applies selection criteria more rigorously to non-EU ship recycling facilities than to EU yards. Rather than setting up a regional system based on questionable criteria, the EU should foster and encourage developments at global level, which are the most effective way to ensure safe and environmentally sound ship recycling standards worldwide.

The recent ratification by India and the increasing number of HKC-compliant ship recycling facilities have given new impetus to the entry into force of the Hong Kong Convention.





04

ABOUT THE UNION OF GREEK SHIPOWNERS

Who we are

First established in 1916, the Union of Greek Shipowners (UGS) represents Greek-owned vessels over 3,000 gt under Greek and other European and third country flags. Greek shipowners are primarily active in the bulk / tramp sector (i.e. bulk carriers, tankers, LNG / LPG carriers) and have a presence in liner trades through containerships which are usually chartered-out to major carriers. Greek-owned vessels are preponderantly involved in cross-trading activities carrying cargoes between third countries.

The UGS has traditionally supported and fostered policies ensuring a truly competitive business environment, free trade, global rules and regulations and first and foremost safety of life at sea and a sustainable environment.

With headquarters in Piraeus and permanent representatives in Brussels and Washington D.C., the UGS closely follows developments in the United Nations International Maritime Organization (UN IMO), the International Labour Organization (ILO), the Organisation for Economic Co-operation and Development (OECD), the International Chamber of Commerce (ICC) and other global bodies. The UGS is a member of the International Chamber of Shipping (ICS) and the European Community Shipowners' Associations (ECSA) and participates in the European Economic and Social Committee (EESC) and the Economic and Social Council of Greece (ESC). The UGS is also a member of the Arctic Economic Council (AEC). It maintains a close working relationship with sector-specific industry organisations, such as INTERTANKO, INTERCARGO and with BIMCO. Finally, the UGS also maintains long-standing close relations with the Hellenic Chamber of Shipping, the London-based Greek Shipping Co-operation Committee (GSCC) and the Hellenic Marine Environment Protection Association (HELMEPA), raising environmental awareness regarding the protection of the marine environment in Greece and abroad.

The UGS is active in engaging with international and EU institutions and stakeholders. The UGS also regularly has meetings with the International Association of Classification Societies (IACS) and individual classification societies. The UGS maintains ongoing bilateral relationships with other shipowners' associations. In addition, the UGS regularly visits the U.S. and meets with the Administration and Congress in order to promote common strategic interests and better understanding of maritime issues of mutual concern.

At national level, the UGS co-operates with the Greek authorities, especially the Ministry of Maritime Affairs and Insular Policy and seafarers' organisations regarding the competitiveness of the national register, seafarer recruitment and maritime education.

Posidonia, the largest bi-annual international shipping exhibition, is organised under the auspices of the UGS. Since 1969, Posidonia has established itself as one of the major networking events of the global shipping industry and maritime cluster, attracting the industry's most influential personalities and serving as a unique business forum for Greek and international shipowners. Due to the COVID-19 pandemic, Posidonia 2020 had to be cancelled.

Greek shipowners have in recent years undertaken several social responsibility initiatives throughout the country, culminating in 2016 in the establishment of the Greek Shipowners' Social Welfare Company "SYN-ENOSIS" (www.syn-enosis.gr). Its aim is to contribute to Greek society by supporting social welfare programmes and activities for vulnerable social groups and for projects of public interest, through the provision of humanitarian and charitable aid.

SYN-ENOSIS is the permanent vehicle and a solid reference point for the collective social responsibility of the shipping community and a reflection of the multi-faceted contribution of Greek shipping to public life.





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