The UNCONTAINED

Breakbulk, Project and Energy Transportation News

Winter 2022

In-Depth Interviews

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[cover image]
Steel forge in full production.
See Biden Tariff Policy Revealed on Page 10.

Foreword

As the reports in this winter edition of *The Uncontained* [our digital magazine] amply illustrate, there is a lot of business that isn't about boxes. And perhaps it is fitting during this season to relate a Christmas card we (*AJOT*) received from the Port of Beaumont, Texas. The card opens up and a Christmas jingle plays: "Out in the port yard, cargo abound. Santa's on the Liebherr, happy and round…Wood pulp and aggregate all around…"

As the card implies there is a lot of freight that is never hoisted by a gantry crane: lumber and all measures of forest products. For example, on page 10, correspondent Peter Buxbaum writes "Breakbulk lumber is booming at the Port of Lake Charles [Louisiana]." And from a larger viewpoint, on page 18 the *AJOT* delved into the impacts of the Russia-Ukraine war on the forest product industry, "Russian invasion of Ukraine sparks "conflicted" outlook for forest products".

And the impact of global economics on the multi-purpose vessel/heavy lift (MPV/HL) sector is discussed by Ed Bastian, Director of Global Sales for BBC Chartering and discussed in an interview with Henrik Hansen, General Manager, AAL Americas.

Naturally, there are a number of ports like Beaumont that hang their hat on breakbulk shipping. The Port of Milwaukee's plans for the future to a large degree are built around dry bulk shipping, as outlined in Tad Thompson's interview with Adam Tindall-Schlicht, the port's director.

All in all, the breakbulk sector continues to thrive with new commodities like wind turbine blades and oversized components which are becoming business mainstays.

Every week *The Uncontained* takes a hard look at what is moving and why. Enjoy the winter magazine and read us every week at theuncontained.com.

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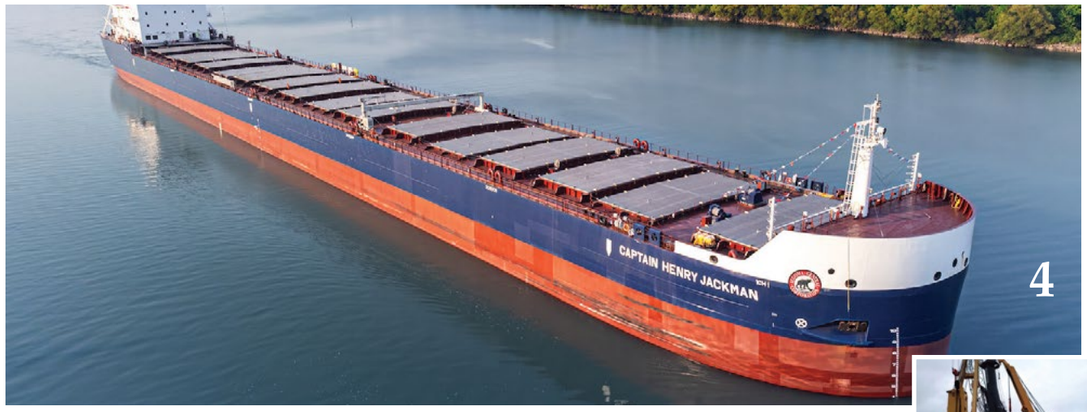

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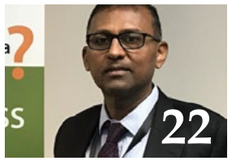
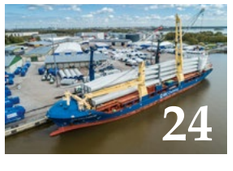




ST. LAWRENCE SEAWAY BUILDING ON GREEN CORRIDOR GOALS

By Leo Ryan, AJOT
Jul 25, 2022 | Published originally in AJOT Issue #743

The bi-national St. Lawrence Seaway, which links the Atlantic Ocean to the industrial heartland of North America, showed considerable resiliency in facing the pandemic challenges of 2020 and 2021. And in 2022, the waterway is continuing to demonstrate its effectiveness and appeal as a strategic marine transportation corridor amidst the world economic uncertainties ushered in by the Russian invasion of Ukraine last February.

Such is the central message expounded by Seaway officials and the just-released annual corporate report of Canada's St. Lawrence Seaway Management Corporation (SLSMC) on its 25th year of commercialization. The continental waterway's prime vocation is succinctly summed up in the report's title: A green corridor leading to economic growth and opportunity.

"This season the Seaway has continued to play a key role month after month as a reliable export corridor for farmers and businesses during these uncertain times," stressed Jean Aubry-Morin, SLSMC vice-president of external affairs.

Following the traditional winter closure for maintenance, the waterway entered the fourth month of its navigation season in July.

Pointing to a major highlight of the period to end-June, Aubry-Morin indicated that potash shipments nearly tripled to 376,000 metric tons.

"A vital ingredient in fertilizer, the potash was destined for Europe, South America and North Africa, helping to alleviate global shortages caused by the Russian/Ukraine war," he told AJOT.

Overall cargo tonnage shipments from March 22 to June 30 via the St. Lawrence Seaway totaled 11.9 million tons. While down 8.3% compared to 2021, the trend was significantly closing the gap in comparison to April, when tonnage was down 18% following the start to the season.

Approaching mid-season, Aubry-Morin noted there have been strong movements of U.S. grain, potash, coke and some liquid bulk products. Ontario grain has also shown strength, offsetting some of the decline in grain from western Canada due to last year's smaller crop.

"These are all indicators that nourish our hope of finishing the 2022 season a little above last year," he stated.

Seaway traffic reached 38.2 million tons in 2021, 0.4 million tonnes (1.1%) above 2020 results. In a year that tested supply chains around the world, the corporate report commented that "the Seaway remained a beacon of unwavering reliability. Seaway users could depend on the System to deliver their goods, allowing them to maintain operations in an environment of strong demand.

"Several Seaway staples bounced back after being negatively impacted during the COVID-19 pandemic, including general cargo shipments, which improved by an imposing 73% over 2020, as North-American manufacturers once again turned to the Seaway to ensure timely and reliable delivery of critical steel and slab imports.

"Also, the lifting of COVID-19 containment measures allowed liquid bulk cargoes to gain back a portion of the ground lost during the pandemic.

"The category closed the year with a 5% increase. Beyond being a dependable supply chain for their core business, Seaway users count on the System's adaptability to take advantage of opportunities offered by international markets. In 2021, these included a myriad of export commodities such as iron ore, which increased 13% year-over-year, as well as coke and potash which contributed to the 8% increase of the Dry Bulk segment. These exceptional results more than offset the substantial 20% drop in export grain shipments, caused by a drought event that affected crops in key growing areas."

Terence Bowles, president & CEO, St. Lawrence Seaway Management Corp.

Algoma's Captain Henry Jackman is 35% more fuel efficient than older vessels, an example of leveraging technology by Seaway carriers to bolster green shipping. Photo courtesy of SLSMC

Terence Bowles Sums Up Vision and Achievements

In his introduction to the report, Terence Bowles, president and CEO, noted the substantial investments through the years allocated to modernizing and optimizing the Seaway's operations.

"These improvements," he noted, "have strengthened its position as an essential transportation corridor for the efficient movement of products between North American and world markets.

"Through improvements and the use of technology, the St. Lawrence Seaway Management Corporation (SLSMC) has reduced its Green House Gas Emissions well ahead of the targets set by the Federal Government for the year 2030, which is helping drive sustainability. Moving forward, we will continue to promote the use of vessels versus other less environmentally-efficient modes of transport, work with partners in the maritime industry to further reduce Green House Gas Emissions, contribute to the creation of a Green Corridor and help respond to global supply chain disruptions."

In terms of revenue, Bowles explained that the Seaway ended 2021 at C$83.6 million, plus $7.7 million in revenue generated from lands administered by the Corporation. This allowed the Corporation to fully cover $52.3 million in manageable costs and contribute $39 million to asset renewal.

Each year, millions of dollars are spent on Asset Renewal Plans, including $75.7 million in 2021/22. This level of spending not only ensures the reliability of the infrastructure, but provides employment to many contractors who carry out this work, especially during the winter works period of January to March.

On the safety front, the Seaway's "Making Safe Choices" campaign has been successful in influencing employee performance and safety focus. For the 2021/22 fiscal year, the Corporation attained the milestone of over one million hours worked without lost time injury on a Seaway site.

Weather conditions were such that the 2021 navigation season closed without any concerns about ice. As part of a five-year pilot program, for the third consecutive year, the Welland Canal's season was extended to early January. With climatic changes and improvements being made, the Seaway is now working towards a later closing date for the Montreal-Lake Ontario section.

Over the years, along with producing hydro-electric power, the Seaway has taken steps to reduce its carbon footprint, including adding electric vehicles and equipment. As mentioned earlier, the Seaway is well ahead of the 2030 targets set by the Federal Government for greenhouse gas emissions.

Looking to the present horizon, Bowles acknowledges: "There are still many unknowns in relation to the pandemic, consumer habits and the Russia / Ukraine conflict. Nevertheless, we continue to explore opportunities to increase existing commodities, and work with shippers, carriers and other partners to attract "New Business", as the current Seaway locks and channels can easily accommodate a 50% increase in tonnage.

MPP SECTOR IN SEASONAL SLOWDOWN… BUT WILL IT BOUNCE BACK IN THE FALL?

The multipurpose fleet with the breakbulk sector has had a good run and a seasonal slowdown might be just that. But with COVID impacts and a multitude of other disruptive factors, nothing is a given now.

By George Lauriat, AJOT

Jul 25, 2022 | Published originally in AJOT Issue #743

The MPP, AAL Dalian, lifts a barge onto its deck.

The breakbulk sector of the dry bulk shipping market has entered the "seasonal" summer of doldrums. Of course, any reference to "seasonal" or "annual" in the shipping markets must be said with post-COVID caution. It takes only a short look back to last year to understand the prudence in ascribing normality to decidedly abnormal circumstances – post COVID rebound and China lockdowns and slowing economy, inflation, recessionary trends in many economies, Russia-Ukraine war and impact on global markets, etc.

The "Breakbulk" sector, of the Dry Bulk shipping fleet is normally considered to be self-sustaining (sometimes called multipurpose ships or MPPs) meaning onboard cranes to handle cargo, vessels in the smaller sizes loosely slotted into the Handysize (up to 40,000 dwt) or Handymax (up to 60,000 dwt) largely for the purposes of establishing freight rates and other baseline shipping data. Within these loose parameters there are many individual ship classes, often dedicated to specialized handling of oversized cargos like wind blades or mining equipment. However, these ship haul everything that can be placed in a ship's hold and thus compete with other sectors such as ro/ro and even in some circumstances containerized shipping. For those reasons, size and markets, the rate structure of breakbulk shipping has been fairly modest.

Summer Solstice for Breakbulk?

Take for example, Toepher's MultiPurpose Index or TMI. Toepher Transport is a Hamburg-based shipbroker primarily engaged in S&P (Sale and Purchase) and newbuildings with particular interest in multipurpose vessels – generally smaller sized vessels. The TMI is a barometer of MPP charter rates for the sector but also a guide to the breakbulk sector in general.

The monthly index from July of 2017 until March of 2021, ranged between $6,265 and 7,520 with a high of $7,578 in November of 2019. But there was a steep climb in the TMI from January 2021 until January of 2022, when a slight leveling off began. Over that time the TMI went from $7005 to an astounding $21,863. In the recently released July 2022 TMI the rates were $23,099 compared to $11,225 back in July of 2021. Topher's market commentary for their July release suggests a seasonal slowdown: "Along with rising temperatures, the holiday mood is increasingly spreading, making people leave for summer vacation and have business activities decelerate. We are back to a more ordinary seasonal slowdown scenario in the short sea sector with TCE's only marginally sliding on the back of lower but still stable demand. Vessel earnings keep a solid level of more than 50% above those achieved 12 months ago."

And for the MPP sector that might be so. Historically, the sector has been slow to add new tonnage and only recently – with the rise in charter rates – has renewed interest and money poured into the sector. New MPP vessels are being built and are often a little larger, hitting 28,000 dwt-30,000 dwt, affording more opportunities outside of strictly project moves. Price wise, like with other vessels, the cost of newbuildings has gone up and in a sense, shipowners buying ships, have already experienced "inflation". While it is expected there might be some fall in shipbuilding prices, COVID, steel and other factors (there is a shipbuilders' strike in South Korea at this writing) could mitigate any real decrease. And finding a "slot" at a shipyard in Asia could easily become problematical. This could put pressure on owners to find second-hand "new" ships to build a fleet.

Overall, charter rates for the Handy size sector have bounced around over the last year. For example, Hudson Shipping reported that Handy sized daily charter rates peaked at $37,113 back on October 25th, 2021. By February 7th, 2022, the rate was $17,920 and by July 18th back up to $21,368.

There is the expectation that Handy rates (and all the other sectors as well) will decline over the next few quarters. The reasoning is largely that commodity demand – particularly in China is weakening. Future (FFA) day rate assessments for Handy size vessel in 2023 are in the $15,000-$17,000 range – part of an anticipated softening of the overall shipping market.

MPP Boost

But the caveat to this forecast could lie within the MPP sector. With inflation and rising oil prices, more energy related projects are likely to become viable. In some ways this seems counter intuitive but the price points on alternative energies, deep water oil drilling and shale oil become more project viable with rising energy costs. In short, the higher prices can act as a trigger to more project loads.

And there are already some strong signs of investments in the MPP-Handy size sector. For example, take the recent deal of Swire Projects, the projects business unit of Swire Shipping Pte. Ltd. Swire Projects was established in October 2020 to provide specialist shipping services to the energy, renewable and infrastructure sector.

In July, Swire Projects announced it had entered into a long-term agreement with Rord Braren, a German shipowner, for the charter of three handysize multipurpose (MPP) vessels. This is the second major plunge into the market as in November 2021 Swire announced the long-term charter of six MPP heavy lift vessels with Nordic Project and Finance. The 28,000 dwt handysize MPPs (or African class) were built between 2010 and 2011 at Huanghai shipyard, China and will be renamed "Pacific Honour", "Pacific Humility" and "Pacific Hero", and known as the "H Class" vessels. Swire Projects expects the fleet will grow to 15 vessels by the end of 2022.

Obviously, Swire Projects believes that long-term (at least half the earning lifespan of the ships) that the prospects for the MPP sector, especially in the larger sizes, is good. And with a large number of wind projects underway around the globe to supplement regular business, they very well could be right.

BREAKBULK LUMBER IS BOOMING AT THE PORT OF LAKE CHARLES

Breakbulk lumber is booming at the Port of Lake Charles
Louisiana port is also considering development of an offshore wind facility.

By Peter Buxbaum, AJOT
Jul 25, 2022 | Published originally in AJOT Issue #743

Lake Charles, Louisiana has been a port of call since the early 1800s for vessels picking up cargoes of Louisiana lumber. The local sawmill and lumber industries saw increased growth after the end of the Civil War, when rebuilding efforts in the South stimulated the demand for lumber. The turn of the 20th century saw a declining lumber industry at the port, in part because sandbars made the Calcasieu River impassable to all but shallow-draft schooners.

Fast forward to 2022, and lumber is now the biggest growth cargo for the Port of Lake Charles. In 2019, the port handled 12,000 cubic meters of lumber. That grew to 111,000 cubic meters in 2020 and 128,000 in 2021.

"We've already exceeded 2021's total this year," said Therrance Chretien, the cargo and trade development director for the Port of Lake Charles. "We are projecting to handle over 300,000 cubic meters of lumber in our facilities in 2022."

Lumber Shipments

These days, the lumber handled at Lake Charles are imports from Europe. Ultrabulk, a dry bulk and breakbulk operator headquartered in Denmark, began calling on the port in 2020, delivering loads of pine and spruce dimensional lumber from Germany, Austria, Finland, Sweden, and Spain.

Many of the loads are destined for Home Depot and Lowe's locations in Louisiana and Texas, while others go to distribution centers throughout the country. "Demand for the lumber is mostly in the residential sector," said Chretien. Ultrabulk has increased the numbers of its customers bringing lumber into Lake Charles from five to eight since it began calling on the port, he added.

The Port of Lake Charles is challenged to handle the growth in breakbulk cargoes because Hurricane Laura destroyed half of its 900,000 square feet of warehousing capacity in 2021. The port has started to replace some of that lost capacity by putting up two tension fabric buildings totaling 100,000 square feet.

"We hope to have those up and running by September of this year," said Chretien.

Other breakbulk growth areas for the Port of Lake Charles have been in structural steel and rubber shipments. A recent shipment saw 10,000 cubic meters of steel going to Israel. "We expect to be handling two more structural steel shipments by the end of the year," said Chretien. And, in a first for the port, a nearby Firestone plant loaded a breakbulk ship with synthetic rubber destined for customers in Spain and Poland.

The future of breakbulk at Lake Charles could include development of an offshore wind port. The port handled several shipments of wind blades and power components between 2019 and 2021. So far this year, however, there has been no action on that front. Tax credits for new offshore wind projects expired at the end of last year, which may account for the lack of activity. A fresh package of tax credits is included in the so-called reconciliation bill which is currently pending before Congress.

Offshore Wind Projects

Last year, the port hired the Moffatt & Nichol consulting firm to examine the feasibility of developing an offshore wind marshalling port and/or a manufacturing port on land parcels that are available or may become available at the port's Industrial Canal. "The port is located in close proximity to the strong offshore wind resource located off the coast of Texas and western Louisiana," the consultant's report noted. "Sites at the Industrial Canal may become available to support the offshore wind industry as a marshaling or staging facility, and/or an offshore wind component factory." The potential Industrial

The Port of Lake Charles takes delivery of a 154-ton-capacity Liebherr mobile harbor crane, replacing a unit destroyed by Hurricane Laura.

Canal sites include 60 acres of waterfront property, currently subleased through Trunkline LNG, and 30 acres of undeveloped property across Highway 384/Big Lake Road, currently leased to the Shaw Group but potentially available for the project.

The study analyzed the feasibility of two types of offshore-wind port facilities. A wind turbine generation marshaling port would receive blades, turbines, and tower sections from fabrication sites. These components would then be staged, pre-assembled, and loaded out onto an installation vessel for transit to the offshore site. A fabrication facility would manufacture large components-such as blades, tower sections, turbines, transition pieces and foundations—and load them for transit to the marshaling port or installation site.

"Fully assembled offshore wind components are too large to be transported on rail or road," the consultants noted. "The components are therefore moved from location to location via waterborne transport. The fabrication facilities do require smaller pieces and raw materials to produce the components, and these can be delivered to the site via rail and/or road."

A multiple use or collocation scenario–sometimes called an offshore wind supply hub–will also be considered for Lake Charles. "The hub scenario can create significant logistics efficiencies," the consultants noted. "Components can be manufactured and loaded out in adjacent facilities—and therefore, priority will be given to developing a hub at one site."

"We are looking for offshore wind developers and operators and we are looking to partner with them in a joint deal to develop a wind port," said Chretien.

Some progress has been made on that front. The Port of Lake Charles has already hosted three visits with an East Coast wind port operator and has participated in several conference calls with European offshore wind developers. Chretien expects a European developer to visit Lake Charles in the near future to look at the site.

In order to make the wind port a reality, the consultants recommended that the port make some improvements at the site of any potential facility. "We would need to dredge along the dockside and do some repaving," noted Chretien. "We would also need to build a new bulkhead for vessels and do some groundwork in the lay down areas so that they can accommodate the very heavy pieces involved in offshore wind developments."

But for now, the port is concentrated on making the infrastructure improvements to replace warehousing facilities destroyed in last year's hurricane. "We are getting a lot of inquiries," said Chretien. "We're putting up the new buildings so that we can handle more cargo."

PORT MILWAUKEE WORKS ON PRESENT, PLANS FOR FUTURE

Resiliency and reinvestment are key to Port Milwaukee's operating strategy.

By Tad Thompson, AJOT
August 29, 2022
Published originally in AJOT Issue #744

Adam Tindall-Schlicht, director of Port Milwaukee, has developed immediate trade growth, while also planning for this Wisconsin facility to be the Great Lakes' premiere port for the next 50 years.

Developing ag exports

In 2019, Port Milwaukee was among the first ports to receive a $16 million Port Infrastructure Development Program grant from the U.S. Department of Transportation Maritime Administration.

For Port Milwaukee, this partially funds a new $35 million agriculture export facility. Construction started in 2021 and will be fully operational by the summer of 2023. In August, Tindall-Schlicht reported that the construction was "on budget and on time."

Beyond the federal grant, this future facility's funding came from the Wisconsin Department of Transportation, Port Milwaukee, and The DeLong Company, Inc.

DeLong's participation makes this a public-private investment project, which is expected to increase Milwaukee's ag exports by 400,000 metric tons annually, according to Tindall-Schlicht.

Based in Clifton, WI, DeLong is a sixth-generation agribusiness firm, with six divisions: agronomy, grain and transportation.

The new agricultural export facility, according to the port, will be one of the first on the Great Lakes - St. Lawrence Seaway system to handle various agricultural commodities by truck, rail, and international vessel. Foremost among the commodities is dried distillers grains with solubles (DDGs). DDGs are an ethanol byproduct, creating a highly desirable, high-nutrient food for livestock worldwide.

Milwaukee's new ag facility will open Wisconsin's maritime and agricultural economies to new international markets for this and other products.

Tindall-Schlicht said DDGs shipped from his port is sourced from ethanol plants in Wisconsin, Iowa, and Minnesota. Key global markets for DDGs are in northern and western Europe, north Africa, and Mediterranean Basin countries.

Future service at the facility will also include the export of Wisconsin-grown soybeans, corn, and grain.

Planning for the next 50 years

Tindall-Schlicht, who's served as Port Milwaukee's director since August 2018, said the port has worked in that time on a strategy to implement all necessary upgrades and enhancements for Milwaukee to be the Great Lakes' premiere port through 2070.

This long-term strategy is tabbed the Capital Asset Renewal Plan. The plan outlines the $200 million in needed investment over time to boost infrastructure that's been in place since the 1950s, at the time of the opening of the St. Lawrence Seaway.

"For the last four years we've focused on renewal and reinvention, looking for opportunities that will help lay the groundwork for the next generations at the port," said Tindall-Schlicht.

Port Milwaukee is reinvesting for future commercial expansion, while exploring and pursuing new uses of the port.

The recent push has involved some demolition of facilities that were underutilized for 20 years and using that real estate to be more efficient with flexible new developments, including the DeLong terminal.

Several cruise companies now call on Milwaukee, with the turnaround in passenger service ramping up in 2019

Building Business at Port Milwaukee

There has been a very successful push to boost steel and passenger trade.

In 2022 Milwaukee has seen a 42 percent increase over last year in European steel imports.

Furthermore in 2022, Tindall-Schlicht said, cruise ship business exploded for Milwaukee. The category isn't new: Milwaukee has ferried passengers and vehicles on high-speed vessels to/from Muskegon, MI, for almost 20 years.

But in 2018, Milwaukee handled less than 1,000 passengers on international cruise ships.

Several cruise companies now call on Milwaukee, with the turnaround in passenger service ramping up in 2019, with a jump to 3,300. In 2022, Viking Cruise Lines started plying the Great Lakes, with Milwaukee being an important hub. Between May and October this year, the port expects to see 10,000 cruise visitors on Viking, Pearl Seas, and other cruise lines.

Next year, Milwaukee will be the terminus of a remarkable cruise embarking from Buenos Aires, Argentina, with stops in Antarctica and then up South America's Pacific Coast to Panama and touring the Atlantic coast before running up the St. Lawrence Seaway into the Great Lakes.

Resilience

Tindall-Schlicht, who grew up 10 minutes away from the port, but worked for U.S. DOT in Washington, D.C., before returning home, speaks of the importance of resilience to Port Milwaukee. The greatest example is the port's recovery from a once-in-a-lifetime storm which struck Jan. 10-11, 2020. Storm surge across Lake Michigan pushed six feet of icy water over 70 percent of Port Milwaukee. The director indicates the port suffered $2 million in damage overnight. With a huge push, reconstruction of the port was 95% complete within two years.

Port Milwaukee by the Numbers

Milwaukee averages handling 2.5 million tons of cargo per year. The port's "sweet spot" is a specialty serving as a premiere distribution hub for bulk and break bulk, the director indicates.

Among the strengths is importing roadside salt, which is highly valued in the wintertime by many states of the Upper Midwest.

Tindall-Schlicht, who in June 2022 was appointed to the Maritime Transportation System National Advisory Committee, said his port provides a valuable service in imports and exports from America's heartland, the largest cities in the Upper Midwest and the vast expanse of south-central Canada.

"We have a strong working relationship with an array of manufacturers and ag sector customers," said Tindall-Schlicht. "I credit the Port's staff and stevedores for our reliable, safe, and effective operations."

Milwaukee is a deep-water port serving Seawaymax vessels (a maximum draft of 26 feet, six inches) in 16 berths. The port also has two dedicated barge berths with drafts more than 18-feet.

Port Milwaukee is the northernmost Lake Michigan port approved to serve the Mississippi River inland waterway system with direct river barge access to the Illinois River. This is a vital connection between U.S. ports on the Gulf of Mexico and the Great Lakes region.

Tindall-Schlicht indicates that Milwaukee is Wisconsin's second-largest port, trailing only Duluth-Superior. He describes it as a consistently performing medium-sized Great Lakes port. The Great Lakes has 100 ports lining Canadian and U.S. shores.

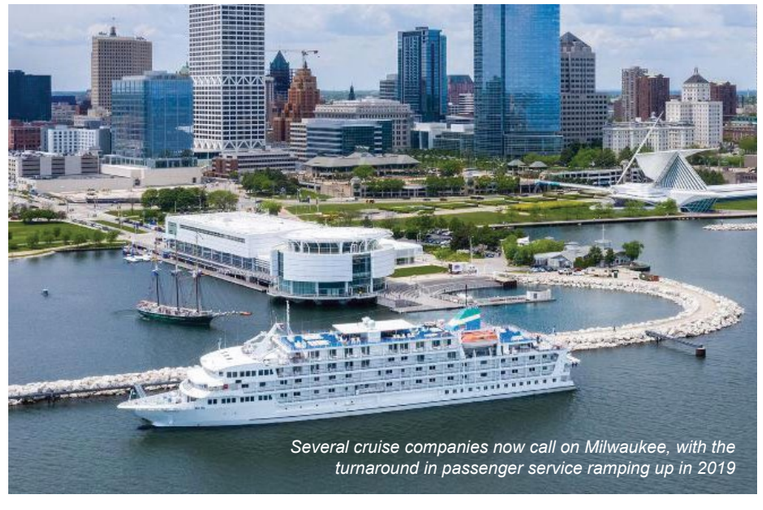
From 2018 to 2019, the port's tonnage grew 11 percent. Even through the Covid pandemic of 2019-2020, Port Milwaukee's business grew five percent.

In 2020 Milwaukee enjoyed almost 2.5 million tons of cargo. That volume was maintained in 2021.

Port Milwaukee is served by two Class I railroads, the Union Pacific (UP) Railway and the Canadian Pacific (CP) Railway. Both UP and CP provide direct pier delivery at all Port facilities as well as necessary switching services daily. Port Milwaukee additionally owns and maintains 14 miles of its own rail track, providing continuous service and connectivity to UP and CP.

Port Milwaukee is 75 miles north of Chicago and 1,021 nautical miles from Montreal, Quebec with a transit time by water from Montreal of about 4.5 days.

Adam Tindall-Schlicht, director of Port Milwaukee



Several cruise companies now call on Milwaukee, with the turnaround in passenger service ramping up in 2019

GREAT LAKES WIND POWER:
WILL A SAGA OF LOST CHANCES CHANGE?

Bringing wind power to the Great Lakes has thus far been a saga of missed opportunities with more time spent on legal challenges than engineering complexities. But is that changing?

By Matt Miller, AJOT

In August, the Ohio Supreme Court issued a green light for construction of a modest 20.7MW demonstration wind farm in Lake Erie. The court decision came six years after a public-private partnership won a Department of Energy grant to build the installation, and two years after a few lakeside residents sued to stop it.

That delay pales in comparison with what's happening on Lake Ontario. A 380MW project on the Canadian side has been mired in litigation for 11 years, with a Canadian Court of Appeals hearing scheduled for next January.

The Great Lakes offers enormous opportunities for wind-powered energy. So far, however, that potential remains totally unfulfilled. While there's some evidence that lakes wind power isn't completely dead in the water, the industry must revive something long dormant.

"I'm hopeful that it will proceed," said Patrick Fullenkamp, a principal with Greentree Consulting, and an authority on wind farms-related supply chains, who was a consulting engineer on the Lake Erie project and who co-produced a study on opportunities there for American suppliers. "But I can't make a prediction one way or the other, with all the stuff that has gone on."

Great Lakes Wind Power: Trying to be More Than an Afterthought

This is a story of lost chances for not just developers, but also North American manufacturers, ports, and logistics providers.

It's enormously frustrating "because of the [clean energy] opportunity that one sees and the benefits long-term in supply chains and good jobs," said John Kourtoff, CEO of Trillium Power Wind Corp., the developer of that Lake Ontario project and unquestionably the most ambitious of all lakes-related winds farm proponents.

Oceanic offshore wind power development is generating more and more positive vibes. Development is ramping up rapidly on the Eastern US seaboard, with ambitious plans as well for the West Coast. There's a growing realization among American government officials, energy companies and environmental advocates alike that offshore wind power can help propel the transformation to renewable energy. With it will come a major source of economic development. States are now falling over each other to attract related businesses and host manufacturing facilities and staging grounds.

By contrast, Great Lakes wind power is barely mentioned in the conversation. It is considered at best an afterthought.

Oceanic "offshore wind is a proven and growing renewable energy technology that can be sited in proximity to coastal load centers," said a spokesman for New York State Energy Research and Development Authority, in an email. NYSERDA is only now conducting a feasibility study on Great Lakes wind energy potential. "The supply chain [for ocean wind] is readily leveraged from around the world and the wind energy potential is substantially larger than that of freshwater wind energy."

A Saga of Missed Opportunities

Yet, a decade ago, lakes-related wind power elicited similar talk of immense potential and bountiful opportunities. A 2011 Conference Board of Canada study estimated a total of 35GW of power from wind on the Canadian side of Lake Ontario alone. It set a conservative estimate of 2GW of installed capacity in Ontario waters by 2026, of which 1.6GW was projected to have been up and running by this year.

In the US, something called the Great Lakes Wind Energy Consortium came together in 2012. Composed of federal and state bodies, it at the time estimated total Great Lakes wind power potential at an astounding 750GW. A study conducted for the interstate Great Lakes Commission the following year projected more modest possibilities, anywhere from 1 to 5GW installed capacity by 2030.

The NYSERDA study, which will update estimates and expectations, is expected to be released soon.

NIMBY-ism, a glacial regulatory process and populist politics have combined to completely derail efforts so far.

Plans for the Icebreaker Wind Farm on Lake Erie started to be formulated in 2009, when the city of Cleveland, two Ohio counties and a local foundation launched the Lake Erie Energy Development Corporation specifically to develop wind power on the lake. Three other counties and the wind power developer, Oslo-based Fred Olsen Renewables, subsequently joined LEEDCo, which identified a site in 2014 and, two years later, won a $40 million grant from the DoE to construct the wind farm. The Ohio Power Siting Board approved a permit in early 2020, although the board initially ruled that the turbines must shut down at night for much of the year to protect birds and bats. (It reversed course a year later.) Meanwhile, residents of a small lakeside suburb sued the board, accusing it of overreach. For two years, the project was stalled. In August, the Ohio Supreme Court came down squarely in favor of the board.

Before it can continue the project, LEEDCo must now get its own act together. The corporation's two top executives have left for East Coast projects and Fred Olsen management soured on the prospects because of the lengthy delays.

Trillium's case was even more confounding — and disappointing. Ontario Province opened up the Canadian side of Lake Ontario to wind farm development in 2005 and Trillium was among the first to lay a claim. The Toronto-based company identified a sweet spot of shallow water and strong winds, some 10 to 15 miles offshore. It's part way between Prince Edward County, in southern Ontario, and Oswego, NY, north of Syracuse, with the possibility of plugging into grids on both sides of the border. As it waited for environmental clearances, Trillium lined up investors.

But in February 2011, literally the day before Trillium was to close a financing package and begin soliciting bids, the provincial government of then Premier Dalton McGuinty, which had backed development, suddenly pulled the plug, and cancelled all projects, claiming "further scientific research" was necessary. Why it did so remains a mystery, although the McGuinty administration, facing elections later that year, appeared to be pandering to lakeside residents.

Trillium sued the government for damages. In 2013, an appeals court dismissed most of the company's complaints, although it allowed to proceed the question of whether the government had specifically targeted Trillium.

The case dragged on. In 2018, McGuinty's former chief of staff was convicted of deliberately scrubbing emails and physically destroyed cellphones to hide evidence of another cancelled power project. Trillium then added an allegation of evidence tampering, called "spoliation," to its suit. A year back, a court ruled against Trillium, saying such practices were commonplace at the time they took place, although the judge sympathized with the wind developer.

Trillium is appealing the decision

This is by no means the end of the saga. "No one can build on the lakebed in Ontario without several permits from the Ontario government, so it would be up to the Ontario government to decide if it wants a far-offshore wind development," said Kourtoff, in a follow-up email. He estimated it would take an additional four to five years after financial close to get the facility up and running.

Challenge of the Great Lakes

Constructing lake wind farms shares many of the same challenges as oceanic offshore wind installations, but also exhibits several major differences.

The advantages are numerous, Kourtoff said. Two are obvious: Fresh water and insignificant wave size. The lack of salt corrosiveness, for example, reduces the cost of equipment purchase and upkeep considerably, Kourtoff said. "In the oceans, you have to buy the more costly sort of specialized pressurized wind turbines, and they get all mucked up," he said. "Their costs are substantially more than expected for their operations and maintenance because of the corrosion of salt."

As with oceanic offshore wind farms, the water's depth determines both the installation difficulty and the necessary technology. Great Lakes water depth is highly variable, although Lake Erie is relatively shallow, while Lake Superior is one of the deepest major lakes in the world. Not surprisingly, both the Erie and Ontario projects are located in shallow waters, which allow straightforward fixed-bottom installation in bedrock.

Using floating turbines would allow far more latitude in placement. It would also counter one environmental complaint against wind turbines, and that's stirring up sediment when drilling into the lakebed. However, the technology for floating turbines isn't fully developed yet and is being tailored to the much larger offshore oceanic projects such as the North Sea and the West Coast of the U.S.

The Great Lakes present some unique hurdles for developers as well. Shipping access is one big example.

Ice flows pose another major challenge, at least in some shallower waters, such as on Lake Erie. However, Fullenkamp said, even designs of the Lake Erie towers from several years back came up with a solution, which involve a kind of funneling system. Sheet metal is welded to the foundation at a 45 degrees angle at ice level. When ice sheets hit the metal, they heave upwards and are broken. This technology, Fullenkamp said, has been deployed successfully in Europe.

A bigger issue may just be the lack of necessary infrastructure. On the Atlantic seaboard, state after state is proposing ambitious plans and offering inducements for manufacturers, suppliers, and stagers to locate locally. Ideally, said Fullenkamp, foundation fabricators, for example, should do the final assembly close to the water.

But even on the East Coast, not every state will be able to attract these plumb opportunities. Manufacturers need economies of scale. A common benchmark for turbine manufacturers to site a dedicated plant, for example, is 1GW per year. "Getting 1 GW in the Great Lakes Region will be a lot more difficult, and probably years out," said Fullenkamp.

Even the local ports of Cleveland and Toronto don't have the available space to host Great Lakes projects, should they materialize.

IS BREAKBULK THE SHIPPING SOLUTION FOR LATIN AMERICAN PRODUCE?

By Tad Thompson, AJOT

To better manage fruit arrivals, Kopke said, "We need to move to breakbulk ships." Fifty years ago, the Chilean business started with breakbulk service, which declined as container lines came in and offered lower freight rates. As competition decreased, container rates doubled and even tripled. Now, Kopke bemoans, "We pay more and have no service."

In addition to cost problems, given the bills of lading, container carriers "have no obligation to come here in a timely way," Kopke noted. "How can you import when you don't know when the fruit will arrive? The container lines don't exhibit any regard for their customers. It's not the way it was years ago, when there were relationships between importers and the shipping lines. Our needs are not considered." He said, for example, that one Chilean fruit container ship embarked on Dec. 15, with arrival expected 15 days later. That ship docked on Feb. 4.

Kopke continued that "breakbulk ships from Chile can be discharged and delivered for fumigation. When the stuff is in containers, you never know when it will arrive or be fumigated."

Greenberg indicates: "People transitioned years ago from breakbulk to containers because containers were relatively cheaper. Recently, containers became very expensive, and the economics of breakbulk changed. Until refrigerated container rates come back to earth, prefer break bulk." He added that it takes 4,000 pallets to fill a breakbulk ship.

Kopke said, "Efforts are being made to replace the containers because there was mistreatment by some of the container lines. That is not acceptable to the people who pay the freight. There have been many lawsuits made by the people who were affected last year. This is a very complicated story."

Holt responded, "We share Mr. Kopke's view that for seasonal fruit a robust specialized fleet is very welcome. One should also note that someone has to pay for the party. As the container markets have marginally cooled there has been an almost instant movement of some of the outlier cargoes back to containers. An equilibrium is needed. It's above our pay grade to guess what that balance point should be."

Holt noted, "SeaTrade and Cool Carriers have both announced new building programs. The world in general - notably growers, shippers, all lines, and governments - should welcome and support additional capacities as there are many factors that are benefitted from having a robust reefer fleet. It is agile and can pivot quickly."

In 2022, as ocean trade recovered from the COVID pandemic, there was a rise in breakbulk cargo, Holt indicates. This is a move away from the river's move toward containerization for the past 20 years. Breakbulk cargoes accommodate a flexible supply chain, says Holt. Argentine pears and lemons, as well as 17 breakbulk vessels bearing South African citrus this year were among the leaders in breakbulk cargo. Breakbulk fruit juice from the Far East and Mediterranean were new this year to the Delaware River system. Reefer ships also bore European frozen foods and packaged products from the Far East. Holt does not see this development necessarily being a permanent trend, but it does reinforce the strength of breakbulk carriers' mantra: "Fast, dedicated, direct." In the shipping world, breakbulk serves as a figurative "sea anchor in these difficult currents," says Holt.

The busy cargo seaport. Valparaiso, Chile. It is the most important seaport in Chile.

PORT OF BROWNSVILLE GETS BOOST FROM USMCA

By Tad Thompson, AJOT
Jul 25, 2022 | Published originally in AJOT Issue #743

International trade through the Port of Brownsville, TX, is booming.

Eduardo Campirano, CEO, and port director, notes that the COVID year, 2020, proved to be the most successful in Brownsville's long cargo history.

"We operated 24-7 and we continue to do what we did in 2020," he said. For 2021, cargo tonnage amounted to 13.8 million tons, breaking 2020's record of 11.6 million.

For Brownsville's final tally in 2022, even greater numbers are anticipated, with yet more cargo tonnage expected in 2023.

The North American Free Trade Agreement, signed in 1994, was good for Brownsville's trade. The subsequent United States-Mexico-Canada Agreement, which went into effect July 1, 2020, was also a positive, Campirano said. "I don't know if it changed our dynamics, but it hasn't hurt."

He stressed Brownsville's position upon the Gulf of Mexico at the U.S.-Mexico border was recognized centuries ago as an ideal international trade site.

Today, Brownsville is the bullseye as a trade center across the Rio Grande River, and as a global player for trade through the Panama Canal, and with Latin America and countless trans-Atlantic opportunities.

None of these opportunities have been lost on Brownsville management leaders.

But already, products from every continent pass through Brownsville's Free Trade Zone Number 62.

But Campirano said most of his port's cargo tonnage is exports, with that majority is moving cargo into Mexico, serving industrial towns such as Monterrey and San Luis Potosi.

"Our proximity impacts south Texas, but we play a significant part in northern Mexico logistics," he added. "Much of what we import is exported to Mexico," with a substantial volume of those imports being shipped upstream Rio Grande land bridges, such as Pharr or Los Indios, Texas.

Campirano noted that Brownsville has long been the deepest port on the U.S. Gulf, with a 42-foot channel. To serve the largest ships now traversing Panama's deepened canal, Brownsville is now dredging to 52-feet.

Heavy Industrial Product Moves

Campirano said Brownsville moves more imported steel into Mexico than any other U.S. seaport.

In 2021, the ever-growing steel sector at the port registered a record of 4.3 million tons of steel products moved. This volume, which is mostly shipped by rail, is not in finished products, but Brazilian steel slabs, and other products go to Monterrey steel mills for production of a variety of goods including automobiles and appliances. Finished products often come into the U.S. through the landport of Laredo, TX.

For 2022, Brownsville expects to handle 4.5 million tons of steel slabs from Brazil. This climbed to a 3.0- to 3.5-percent increase over 2021. It is projected to increase again in 2023 and 2024.

Brownsville also receives imported pig iron and petcoke for shipping to Mexican and U.S. mills.

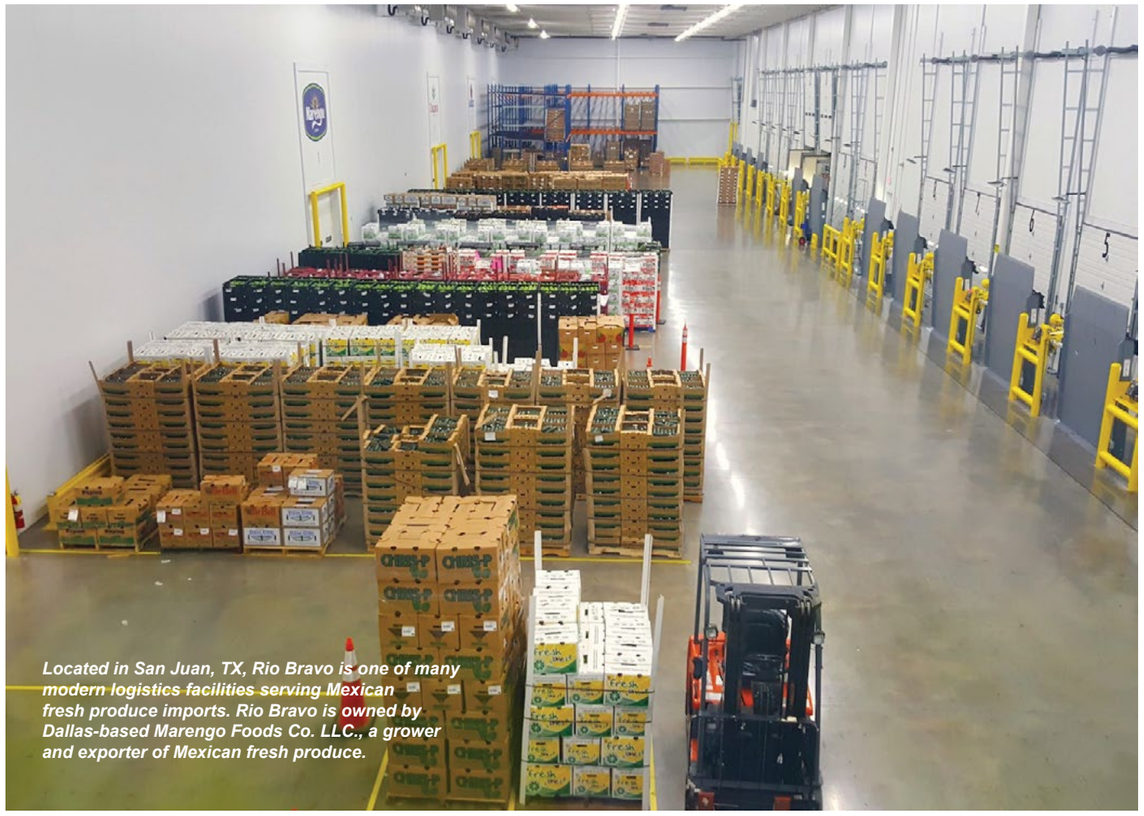
Petroleum-based commodities represented nearly 50% of Brownsville's total cargo moved, with 6.3 million tons. A significant contributor to this is refined oil products, such as lubricants, jet fuel and unleaded and premium gasoline.

At the other end of the energy spectrum from petroleum is the wind component business, "which is very good," for Brownsville, Campirano said. Matamoros is a wind blade manufacturer, which exports through the Port of Brownsville to customers offshore and in the U.S. (The largest of these wind blades are 260 feet long!)

Other interesting sectors of Brownsville's port business is steel recycling through dismantling retired Navy ships.

The port also has a 9,000-foot dock for serving the Gulf's largest shrimp boat fleet.

Pharr International Bridge, which is owned and operated by the City of Pharr, TX, is the US' largest land bridge for receiving fresh Mexican Produce.



Located in San Juan, TX, Rio Bravo is one of many modern logistics facilities serving Mexican fresh produce imports. Rio Bravo is owned by Dallas-based Marengo Foods Co. LLC., a grower and exporter of Mexican fresh produce.

USMCA, Produce and Brownsville

Going into effect in 1993, NAFTA "was a significant event" that helped diversify trade with Mexico. Campirano noted the perishable exports from Mexico to the United States showed the greatest gain.

Given the nature of Mexico's fresh produce industry, NAFTA, and then the USMCA, have been most beneficial to Texas land ports specializing in perishables, Campirano said.

Although Brownsville has a history in agriculture, that of course isn't its modern-day strength.

According to the Brownsville website, 86 years ago, the port began as a major agriculture hub for the region, with Texas citrus exports by sea being key.

Initially, a key NAFTA beneficiary was the Nogales, AZ, crossing point. Located directly north of Sinaloa and immediately north of Sonora, Nogales for decades had been the primary port for receiving Mexican fruits and vegetables bound for U.S. and Canadian markets.

But a very significant shift began in 2013, when Mexico completed the expensive Mazatlan-Durango highway, slicing through Mexico's most-rugged mountain range. The new fast, direct, safe route gave vegetable growers in Culiacan and other key Pacific Coast production areas a much closer alternative via south Texas to Atlantic Coast markets, over shipping through Nogales.

Campirano noted that Pharr and Laredo, TX, subsequently exploded to become the United States' largest landport for receiving fresh produce.

Historically at Brownsville, ag exports business gave way to two-way trade in industrial products. Although 2020 saw the restart of grain exports of regionally grown sorghum destined to China, creating new international market opportunities for South Texas farming families.

Brownsville completed the rehabilitation of Bulk Cargo Dock, improving access to the three million-bushel grain elevator operated by WestPlains LLC.

By the Numbers

The latest statistics from Brownsville show that vessel traffic through the Brownsville Ship Channel increased by 11% in 2021. Throughout 2020, 1,671 vessels called on the port, and in 2021 that number increased to 1,855.

The Brownsville and Rio Grande International Railroad, operated by OmniTRAX, ended 2021 with an all-time high of 65,865 loaded railcars handled, a 22% increase from 2020. Campirano said 85% of the rail moves from Brownsville are south bound.

Throughout 2021, the port registered 438,000 truck movements representing an average of 1,200 truck movements per day.

The Port of Brownsville is the grantee for Foreign Trade Zone No. 62, which has over 2,300 acres available for usage, consistently ranks in the Top 3 FTZs for the value of exports out of 193 FTZs in the nation.

For 2021, exported commodities passing through the FTZ were valued at more than $5 billion, while imported commodities were valued at more than $4 billion.

RUSSIAN INVASION OF UKRAINE SPARKS “CONFLICTED” OUTLOOK FOR FOREST PRODUCTS

By George Lauriat, AJOT
September 23, 2022 | Published originally in AJOT Issue #745

When Russian tanks rolled into Ukraine on February 24th, an uneasy quasi-war instantly become an all-out shooting conflict, triggering a cavalcade of unforeseen consequences not only for the warring parties, but the entire world.

Among the “unforeseen” economic consequences of the Russo-Ukrainian War was an uprooting of the global forest products trade. Besides the direct combatants, the Ukraine and the Russian Federation, the conflagration includes Belarus (and non-combatant ally of Russia) in the trade fallout.

And from the lumber and forest product perspective both the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) have labeled all timber from Russia and Belarus as “conflict timber,” chopping interest from global buyers interested in purchasing lumber from either country.

The Great Unfriending

Nearly immediately after the invasion of Ukraine, economic sanctions spurred by the United States began being levied at Russia, and on March 11th the G-7 and EU (European Union) announced joint actions. These culminated in the application of a broad range of economic sanctions designed to “strangle” the Russian economy.

In March Moscow began its own retaliatory “unfriending” by introducing tariffs and bans of its own. High on the list of exports banned for sale to the “unfriendly” West was wood and forest products. Russia has paired these export bans with import tariffs (reportedly as high as 60% for Western countries, as opposed to 10% for friendly nations) on imported wood products.

Russia’s reaction is somewhat a non sequitur, as buying Western imports is crippled both by actual bans and financial transaction restrictions – SWIFT system lockout – imposed by Western financial institutions. Equally, Western nations have banned the purchase of Russian products in an effort to choke off funding for Moscow’s war effort.

Also lost in all the geo-political fallout was the notable fact that Russia applied the anticipated log export ban beginning in January of 2022. The log ban had its biggest impact on neighboring China which according to Wood Resource Quarterly (WRQ) saw log exports drop “from 800,000 m3 in the 4Q/21 to only 80,000 m3 in the 1Q/22” with customs data showing no imports at all for March and April 2022.

But Moscow’s moves inadvertently illustrate just how crazily convoluted the global trade in forest products is.

For example, take Russia. It is no surprise, that Russia with vast expanses of forest land, is a major lumber exporter. According to Observatory of Economic Complexity (OEC) in 2020 Russia’s forest product exports hit $8.44 billion and ranked 4th in the world [but ranked first in lumber exports], while it imported $697 million in forest products and ranked 221st. More specifically, Russia is also ranked as the top exporter of softwood lumber, which is used in the construction industries. The OEC reports that the principal export markets for Russian lumber are China ($3.08 billion), Finland ($593 million), Uzbekistan ($429 million), Egypt ($386 million) and Japan ($369 million). On the other hand, most of the forest product imports came from Belarus ($244 million), China ($127 million), Germany ($58.8 million), Poland ($46.1 million) and Portugal ($35.2 million).

And it looks like Russia’s forest product exports grew substantially since the OEC numbers came out. WRQ in their 2021 estimates pegged Russia at over $12 billion in 2021, with imports of around $2 billion.

So, why is a major forest exporter like Russia importing close to $700 million worth of forest products in the first place? Simply put, Russia doesn’t manufacture a great deal of forest product for export. On the other hand, countries like China, Finland and Germany do manufacture a plethora of forest products ranging from paper and pulp to furniture, plywood, and flooring which are exported globally… and even to Russia.

Which was part of the motivation behind the Association of Furniture and Woodworking Enterprises of Russia request to the Russian government to establish tariffs up to 60% on imported furniture and other wood products from “unfriendly” countries while subjecting pro-Russian countries to a 10% duty. In a recent story, FurnitureToday attributed Russia-based wood analyst Lesprom as the source of the market information. Lesprom said this move would enable Russian manufacturers to compete with foreign manufacturers in the domestic market – earning an additional $813 million in revenue on a 10%-12% growth in revenue.

Of course, the irony is that China is among the “pro-Russian importers”. And while European nations like Germany, Finland and Poland have had some market penetration into Russia before the advent of hostilities, Beijing’s geo-political position vis-a-vis the Ukraine War, as Moscow’s most necessary friend, opens the door for a potential increase in imports, such as manufactured wood products and items like furniture from the factory-nation. The drop in housing construction in China and a slowing GDP reducing domestic demand, historically has triggered an increase in Chinese exports to bolster the economy. However, given China’s problems with the US (and the West in general), resource laden but monetarily challenged, Russia becomes an easier, albeit much smaller, export alternative.

Conflicted Timber

Shortly after the invasion Western paper producers and wood manufacturers largely halted operations with Russia. This step came with the dropping of certification by the FSC and PEFC, on March 2nd which labeled Russian and Belarus (a major processor of Russian lumber) as “conflict timber”. The labeling is critical to the sale of lumber and lumber products to overseas markets. The removal means that the timber cannot be used in manufacturing of “certified” products such as lumber, plywood, pulp, and paper for sale in the global marketplace.

Under the de-certification rules lumber that was headed from forest to sawmill and for which certification had already been applied could be placed on the market while lumber in storage “even outside the two countries [Belarus and Russia]” for which no certification had been applied is considered “conflict lumber.”

This has an enormous impact on how the global wood and wood product markets will function going forward – or at least until Russia is welcomed back into the global trading community. The removal of Russia and Belarus from global markets will clearly have a domino effect on wood product sourcing.

For example, Europe imported around 8.5 million cu/m of softwood from Belarus, Russia, and Ukraine in 2021, roughly 10% of total demand, according to WRI figures. So, the question becomes how will European lumber manufacturers “replace” the 8.5 million cu/m of wood? Certainly, some of the deficit will be sourced to Scandinavia, which already has an existing supply chain to Europe. But will this bump out Scandinavian exports to other markets like the U.S? North American exports might also contribute to Europe but again what other markets will be bumped in the process and at what cost?

For example, Vietnam is rapidly developing a robust wood products sector, will it become a bigger player with Russia on the sidelines?

Perhaps of bigger concern is China. With so much of the imported wood being used in the manufacturing of export products such as furniture, flooring, paper and paper products and plywood, how will China replace Russian sourcing? No doubt, China will look to known suppliers like Canada, New Zealand and Latin American and African sourcing. And for purely domestic use, Chinese processors might simply ignore the sanctions and labeling issues and use alternative payment systems.

But a larger issue looming is how will Western custom officials handle the enforcement of potentially Russian or Belarussian sourced lumber used in manufactured wood products by third or fourth parties? The use of Russian birch in flooring and other specialty products will force global manufacturers to find alternatives to keep up with demand. And there’s little doubt the “conflict lumber” issue is going to complicate the outlook for global lumber trade for years to come.

US FUNDS HELP LA'S WATER INSTITUTE DEVELOP EARLY WARNING SHOALING ALONG THE LOWER MISSISSIPPI

By Stas Margaronis, AJOT
September 26, 2022 | Published originally in AJOT Insights

The Water Institute of the Gulf is harvesting depth sounding data from a fleet of tugs working in Louisiana's stretch of the Mississippi River so as to develop an early warning system that anticipates shoaling problems for river shipping and ports.

With grants from the U.S. Department of Commerce's Economic Development Agency, the State of Louisiana, Port of New Orleans, Port of South Louisiana and other partners, the Institute will develop a Lower Mississippi River SmartPort & Resilience Center (SmartPort).

The Institute says the SmartPort project will "forecast shoaling at port facilities along the Mississippi River, improve port operations and benefit a variety of stakeholders who need to understand how sediment builds up in the Mississippi River" and "will be coupled with a suite of weather, river, and road traffic analytics to improve efficiency and help the region's ports become more resilient in the face of future natural disasters and economic shocks."

In an interview, Bobby Landry, Senior Advisor Water Institute of the Gulf, told AJOT: "The purpose of the project is to provide a good predictive model for what's going on the Mississippi River. To some extent we have better data about the surface of the Moon than we do about the riverbed of the Mississippi River."

Landry added: "We don't have sufficient data along the tributaries and at the ports and especially at the smaller ports. Currently, we cannot predict or anticipate a problem. I was very surprised to find that a lot of tugs did not carry sounding equipment. It is important that I emphasize at this point our data collection and analyzation are not designed for navigation but will certainly aid in commercial concerns along the River."

Previously, Landry worked at the Port of New Orleans where since 1989 he served as the Director of Marketing, Senior Manager of Operations, and most recently as Vice President and Chief Commercial Officer.

Landry said the ports need more data about river conditions: "During my time at the Port of New Orleans, we would hear from the pilots when they were berthing a ship that they discovered a problem with the draft. It happened at the Napoleon Avenue Container Terminal."

Landry said the Water Institute project will help anticipate such problems in advance so dredging resources can be deployed.

Exporters also see the value: "We spoke to Cargill and asked them if they thought having shoaling information 30 days in advance would be useful and they said it would make all the difference in the world."

The reason is that Cargill could ship its grain exports down the Mississippi River to Gulf Coast ports with the updated draft data at various river locations. Cargill would benefit by deploying its barges more efficiently.

Bobby Landry, Senior Advisor Water Institute of the Gulf

Landry said the research "project started off with a few tugboats providing sounding data back in 2021 … and has grown to between 50-75 tugboats today … (and) we are looking to include cruise ships. Now that data is compiled according to time, location, and depth and stored on the cloud so we can develop trend lines. We started in the summer of 2021 with 2-3 tugs and expect to conclude our research in 2023 with over 75 vessels providing sounding data."

According to the Water Institute one of the project supporters is the Port of South Louisiana whose CEO Paul Matthews said: "As one of America's largest tonnage ports, the Port of South Louisiana is focused on serving the maritime needs of our resident industries. Partnering with The Water Institute and Louisiana Economic Development will allow us to apply crowd sourcing data and cutting-edge scientific analysis to a concern for vessel operators and shippers not only on the Mississippi River, but also around the world … Our better understanding of shoaling, and our ability to provide more accurate, timely and precise predictive elements to shoaling forecasts, will enhance the safety and efficiency of all the Port's maritime endeavors."

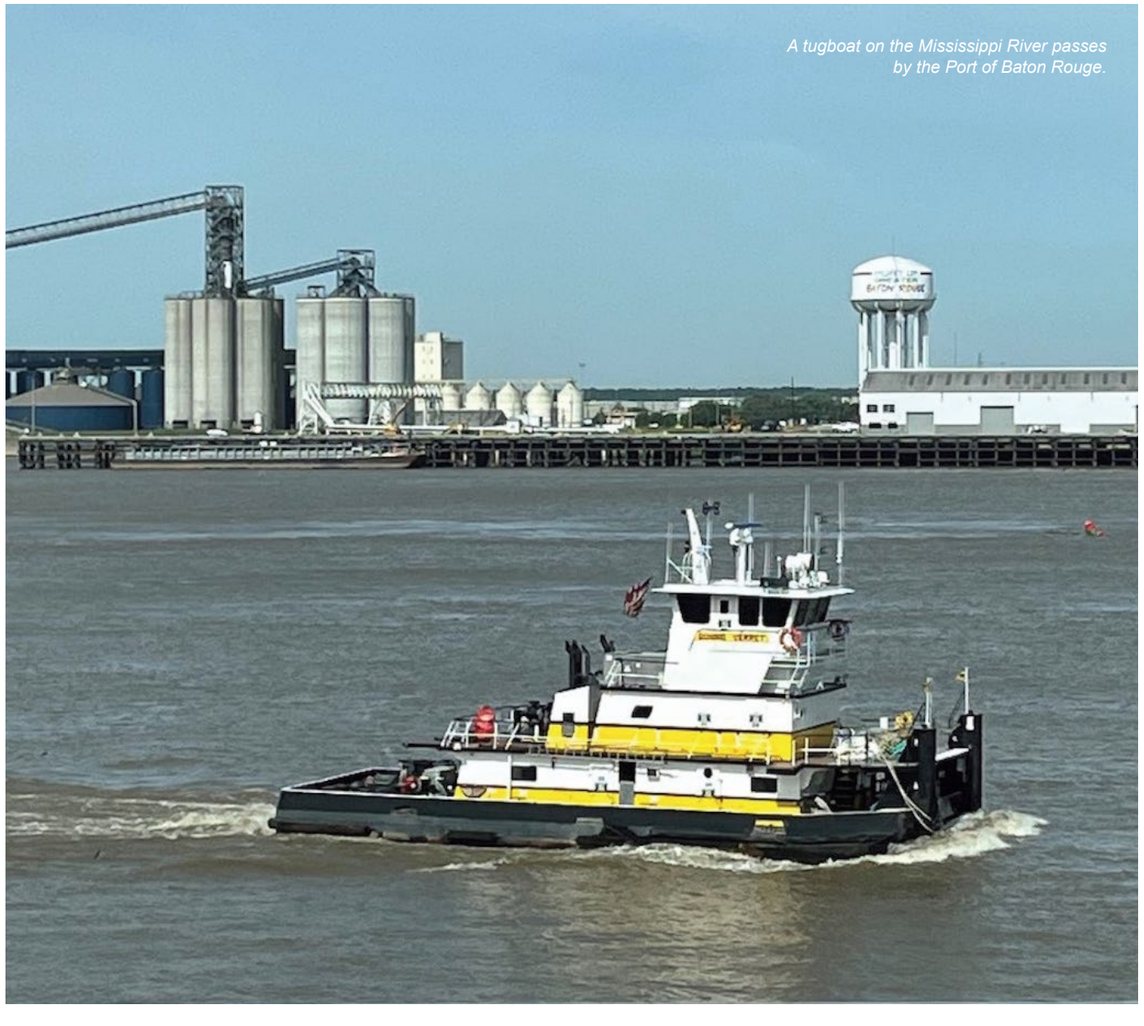
The Water Institute website provided the following background:

1) Along with its advanced analytics, customized 'Resilience Dashboards' will be created and maintained for the Ports of Lake Providence, Madison, Vidalia, Baton Rouge, South Louisiana, New Orleans, St. Bernard, and Plaquemines.

2) These tools will assist in tracking progress and adaptively managing port resilience. Along with the digital platform, "this $3 million investment will culminate in a new SmartPort facility to be housed on The Water Campus in Baton Rouge."

3) The facility will serve as a specialized emergency operation center for ports when needed and a place for the exchange of information during non-emergency times.

4) The Institute worked closely with the Port of New Orleans, IBM, and Crescent Towing in developing tools that harvested and validated depth data to inform port dredging operations. Through SmartPort, "the Institute will be able to scale this successful pilot project along the Lower Mississippi River from North Louisiana to the Gulf of Mexico."



A tugboat on the Mississippi River passes by the Port of Baton Rouge.

SOUTHEAST ASIAN PORTS HOPEFUL OF POST-PANDEMIC SURGE IN BREAKBULK DEMAND

ASEAN ports are growing, and breakbulk is a big contributor.

By Manik Mehta, AJOT

November 23, 2022 | Published originally in AJOT Issue #747

Now that the lockdowns and restrictions linked with the pandemic are being gradually relaxed or even phased out in many parts of the world, Southeast Asian ports are hoping that this will give a strong impetus to cargo traffic, including the breakbulk segment.

Indeed, many in Southeast Asia discern a propensity towards breakbulk, heavy lift cargo, etc., as costs of container shipments have soared exacerbated by supply chain disruptions that have caused considerable distress to both shippers and their importers.

"For some of us shipping to the U.S., the chaos and long delays in shipment clearances at some American ports gave us sleepless nights and there was a general feeling that we have to look for alternatives that would ensure smooth trading," said Mark Nguyen whose company organized shipments from Vietnam to the West Coast last year.

Energy Sector Growth

Experts predict that growth in Southeast Asia's energy sector will drive breakbulk demand with operators relying on heavy lift services and complex logistics, as the maritime dedicated Wallem Ship Agency has been saying. Demand for wind turbines is expected to remain strong, even though some bottlenecks in traffic would continue to push freight rates in the ASEAN (Association of Southeast Asian Nations) region.

After the pandemic downturn, Southeast Asia appears to be on the path to becoming one of the world's fastest recovering regions – Malaysia's GDP, for example, rose 14.2% in the July-September 2022 period from a year ago, according to Bank Negara Malaysia - and some pundits predict that Southeast Asia is well positioned to drive growth in the cargo sector.

Southeast Asia has major energy sector-related projects that are either in the pipeline or already completed; these are expected to benefit the breakbulk segment. These projects – one example is Singaporean developer Sunseap's floating solar farm and energy storage facility on the Indonesian island of Batam - are considered to be crucial for generating strong demand for breakbulk handling.

The Philippine conglomerate Ayala is building five wind farms in Vietnam. The projects, to be developed by its subsidiary AC Energy, are expected to deliver a combined capacity of 440 megawatts once fully operational. "As turbine and project sizes grow, we expect an increase in demand for all types of multipurpose vessels and general cargo ships," predicts Oscar Guzman, Filipino analyst who closely monitors energy trends in Southeast Asia.

Overcoming Bottlenecks

But many also see challenges facing breakbulk operators in the region. Though significant improvements have been made, there are still major bottlenecks in inland transport infrastructure in Southeast Asia, as firms frequently need to build their own connecting solutions which can raise the overall costs. Handling breakbulk cargo in these countries requires specific resources. The inland logistics challenges can often be an area that is overlooked.

ASEAN representatives are aware that the 10 member nation grouping has considerable work to do to raise and upgrade its infrastructure which will benefit breakbulk and project cargo service providers. Infrastructure development will drive growth in all cargo segments transported between Southeast Asia and China which has emerged as the ASEAN region's biggest trading partner.

Uneven level of infrastructure is noticeable between individual ASEAN member states; an example of this uneven level of infrastructure development can be seen in Indonesia and Malaysia. Indonesia has about 10 times the population of Malaysia, but only one-tenth of the infrastructure; Indonesia has a lot of catching up to do. Logistics experts say that Indonesia will need to ship large volumes of equipment and this, in the final analysis, means that it will be relying heavily on breakbulk services.

Indonesia has already been importing large volumes of capital equipment, goods, and big bulk materials for infrastructure programs, according to ASEAN shipping experts. This trend is also visible in other neighboring countries such as Vietnam, Malaysia, and Cambodia.

The ASEAN member countries also need to further strengthen cooperation with each other in port matters. This aspect was underscored during the 41st Working Committee

Nelson Samuel, the director of the New York office of the Malaysian Investment Development Authority

Meeting (WCM) of the ASEAN Ports' Association (APA) held in July 2022 and hosted by Vietnam, with participants from Brunei, Cambodia, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

The WCM chairman, Nguyen Uyen Minh, who is also the deputy general director of the Saigon Port Authority, emphasized the need for close cooperation among APA members to overcome the difficulties resulting from the continuing effects of the pandemic, the Ukraine invasion, soaring fuel and freight costs, and rising inflation.

Le Tuan Anh, Director General of International Cooperation Department, Ministry of Transportation of Vietnam, urged the APA to assume more responsibilities and obligations in promoting sustainable development of maritime and ports community in the region.

ASEAN Ports

While Singapore's port is the biggest in the region and, in fact, one of the five top ports of the world, Malaysia is working towards strengthening its position in the region, projecting itself as the "Gateway to the ASEAN market", and highlighting its location at the confluence of the intercontinental and intra-Asian maritime trade routes through the Strait of Malacca.

In an interview with the American Journal of Transportation, Nelson Samuel, the director of the New York office of the Malaysian Investment Development Authority, which promotes investment to Malaysia, emphasized Malaysia's "crucial shipping and distribution location" in the ASEAN region. "Malaysia has one of the biggest port facilities in the world, besides being a transshipment hub of the Asian region and a preferred point of entry into the ASEAN market," he said.

Malaysia's top two ports, Port Klang near Kuala Lumpur, and the Port of Tanjung Pelepas (PTP) in Johor, are expected to boost their capacity to support the growth recorded by Malaysian ports, thanks to strong demand for commodities and other products. Port Klang deals with exports of commodities such as timber, automobiles, rubber, liquid bulk such as latex, palm and coconut oil, petroleum goods, fuel, and containerized goods. It handles imports of steel coils, rods, wires, billets, fruits, grains, machine equipment etc. However, the PTP in Johor, though posting strong growth in cargo shipments, deals mainly with containerized goods.

While Port Klang and PTP primarily serve East-West routes such as China to Europe, Penang Port's focus is mainly on the Bay of Bengal. A multifunctional port, it deals with all kinds of conventional cargo, dry and liquid bulk, apart from containers. The setting up of new factories in Penang could help drive exports and shipment.

"Johor port, situated at the southern tip of the Malaysian Peninsula, near Johor strait, is an important maritime gateway for the country as it lies in the industrial region of Pasir Gudang which houses major industries like engineering, petrochemicals, electrical goods, furniture and packaged food," the MIDA director explained.

This multipurpose port deals with all kinds of cargoes through its numerous dry bulk, liquid bulk, and container handling facilities. The port is famous for its expansive storage space for keeping palm oil and is a major exporter of petrochemical goods.

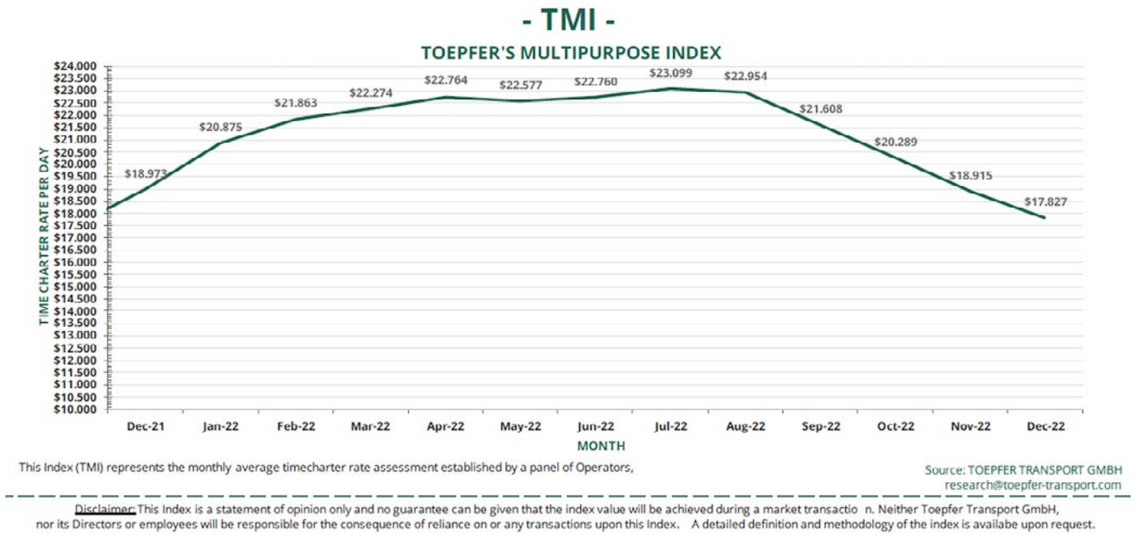
"Ports are crucial for Malaysia's foreign trade and its export-oriented economy. Malaysia's maritime industry contributes about 40% to the country's GDP and more than 90% of Malaysia's trade is seaborne," Samuel said.

MULTI-PURPOSE VESSELS AND HL SECTOR CAUTIOUSLY OPTIMISTIC FOR 2023

By Ed Bastian, Director of Global Sales for BBC Chartering USA, Special to the Uncontrained
December 19, 2022 | Published originally in AJOT Issue #748

If this year's Black Friday sales were a precursor to what 2023 will bring us, the all-time record sales of over $ 9 billion would indicate the economy is hitting on all cylinders. While consumers may have their heads in the sand, most economists are sticking with their prediction of a recession in 2023. Many would argue that we are already in one. Higher interest rates, falling home prices, declining corporate earnings are just some of the signs we are on the verge of one. Adding to that is a dramatic trend in corporate layoffs particularly in the technology sector.

The current mood amongst the container carriers has gone from ebullient to grim all within the same year. While no one expected container rates to remain at stratospheric levels, not many expected to be hearing predictions of rate wars and seeing the spot rate collapse in a few short months. Blank sailings have once again replaced long wait times at LA/Long Beach. The tricky part moving forward is the container carrier's ability to manage capacity with freight demand in order to remain profitable. In the meantime, pent up demand for imports is slowing and allowing excess inventories to be worked off. It will be interesting to see just how 2023 takes shape with the US consumer. More of a family's disposable income may be redirected as a result of higher food prices and energy related expenses.



Multi-Purpose Vessels Sector Correction

While the Multi-Purpose Vessels (MPV)/Heavy Lift (HL) sector has seen great results over the past few years there are a few storm clouds on the horizon. During the pandemic period we saw a huge shift of product from containers to breakbulk carriage. This would include bagged goods such as coffee. Steel, forest products and chemicals to name a few. As container rates pull back to more historical norms it is likely that some of these cargos will find their way back into containers. However, the poor performance of container lines over the past 18 months may have changed how shippers approach ocean transport in the future. Those who thought outside the box may have been convinced that multipurpose shipping can play a role in their supply chain.

The MPV/HL sector has recently begun a correction of its own albeit much milder than the container sector has experienced. Based on Toepfers Multipurpose Index (TMI) for November 2022 has fallen below the $20,000 mark for the first time in 10 months. This correction was not unexpected and in fact could provide incentive for owners to consider additional newbuild investments and fleet replacement. The global MPV fleet has continued to age and is now in dire need of replacement tonnage. New IMO regulations coming into effect in 2023 will cull out older tonnage that is unable to comply with the new regulations. It is forecast that the MPV sector will experience a shortage of tonnage to support freight demand in the next few years. This scenario is not likely to change anytime soon as newbuilding activity is expected to remain at modest levels through 2023.

IMO and MPV Sector Challenges

Many owners and operators in the sector still have concerns about inflationary pressures, rising interest rates, the war in Ukraine and China's continued struggles with COVID and its zero tolerance policy. These all could result in some form of global recession next year. However, freight demand in the project sector is forecast to be strong in the coming year. The energy sector remains the foundation of the MPV sector with wind, oil and gas segments all expected to perform well in the coming year. This, along with the tight supply of tonnage should keep rate levels in a profitable range. One energy source we don't hear much about in the mainstream news is nuclear power. According to the World Nuclear Association there are currently 100 new plants scheduled for construction globally over the next five years. The majority of these plants will be located in China and Eastern Europe. The U.S. only has 2 plants currently under construction, Vogtl #3 and #4 which were scheduled to start operating in 2016 and are now only scheduled to open next year at a cost overrun of double the original construction estimate.

What the MPV/HL is unable to forecast is the true impact that further regulatory actions on the part of the IMO will have on the sector. Starting in 2023 there will be two new metrics introduced requiring owners to measure a vessel's overall energy efficiency and actual carbon dioxide emissions. This will result in some vessel owners needing to make modifications to their vessels in order to meet the new standards. In all likelihood, some owners will find it more prudent to scrap the vessel than to bring the vessel into compliance.

The financing community is already focused on carbon emissions of a vessel being financed. As the EEXI (Energy Efficiency Existing Shipping Index) and the CII (Carbon Intensity Indicator) requirements come into effect, there will be a renewed focus by lenders on how financing is structured moving forward. The true impact to the current MPV/HL fleet will not be known until we see how many vessels are willing and/or able to comply with these new standards.

AAL'S HANSEN CONFIDENT IN THE MPV MARKET

Henrik Hansen, General Manager, AAL Americas, noted in an interview with the AJOT, while acknowledging the global economic challenges facing the industry, confidence in the MPV sector.

By George Lauriat
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AAL, one of the world's largest multipurpose vessel operators, is principally engaged in project, heavy lift breakbulk and dry bulk sectors. Unlike many MPV operators, the Singapore-based AAL's business model includes a strong liner component that connects Asia, Oceania, Europe, and the Americas through a number of regular calls.

With the global economy being of great concern, particularly the slow-down in China, Houston-based Henrik Hansen, AAL's general manager for the Americas in an interview with AJOT was asked how China's economic slump impacted bulk, breakbulk and project shipping? Hansen said, "In terms of exports from China to North America, the economic slump has had an impact on the cargo volume shipped from Chinese ports. Volumes have decreased and, as a result, ocean freight rates have been on a decline. Whether this is temporary or a situation we can expect for the next 6-12 months remains to be seen." Hansen added, "The port congestion in main ports in China have decreased due to the decline in export volumes. Contractual cargo [read project cargoes] continues to be shipped at a regular pace, whereas a slowdown in new, non-contractual cargoes has become apparent."

Henrik Hansen, AAL's general manager for the Americas

The inflationary trend has dampened demand and ocean container freight rates have tumbled. Although container freight rates aren't generally connected to dry bulk, breakbulk or project rates, there is linkage as commodities spillover between ocean shipping modes. As Hansen explained, "Capacity demand for containers and commodities traditionally shipped in containers is lessening. We are at the point that things are 'going back to normal' in terms of the means of transportation and the two-year high is no more. This does impact freight rates, port congestion and lay-down storage space in the North American ports. There are many new challenges ahead of us in an ever-changing market."

And of the current softening of ocean freight rates Hansen said, "The breakbulk rates have already been impacted by the decrease in box rates. Decline in container space on MPP tonnage over the past quarter along with the current slowdown in China has been the main reason to lower rates, not forgetting the current economic challenges and uncertainties globally. The question to be asked is how much of an impact it will have long term?"

Because of AAL's liner shipping service, as availability of slots (and with long delays at container terminals) the ocean carrier was already made an alternative to container shipping. But as Hansen said of the cross-over freight, breakbulk and project are the prime sectors, "AAL has also been participating in container shipments over the past 18-24 months but never to the point where we lost focus on or neglected to prioritize our core business, being project, breakbulk and dry bulk cargoes. With that in mind, despite new challenges the marketplace will throw at us, we feel confident about the future and the support of our clients."

Perhaps the most visible belief in the future of the MPV market is the willingness to invest in ships. And Hansen remarked, AAL has a "newbuilding program of 6 multi-purpose dry cargo ships and third generation heavy lift vessels, the Super B-class. All six vessels are planned for delivery during 2024 and will become part of the existing fleet of AAL. The super B class ships have a crane capacity of 700 tons and cargo capacity of 60,000 frt. The design of two long length box-shaped holds with adjustable pontoons and no centreline bulkheads enables the ships to accommodate a variety of commodities from dry bulk, heavy lift, and out-of-gauge cargo to general break bulk cargo."

AAL has a newbuilding program of 6 multi-purpose dry cargo ships and third generation heavy lift vessels, the Super B-class.