

Sea change in shipping as regulation drives collaboration



Shipping has reached a watershed moment as regulation and digitalisation have combined to alter the nature of the relationship between owners and charterers.

Nick Savides | Apr 10, 2024

This changing relationship to one of collaboration, could, in the long term, see emissions dropping steadily as a result.

Vessel performance specialist Coach Solutions (CS) believes that the new requirements to accurately and “honestly” report data will mean that owners and charterers will be more aligned in their negotiations and will ultimately lead to greater efficiencies and greener vessels.

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Copenhagen Commercial Platform (CCP), CCP focuses on dry bulk and the looks to bring charterers and owners together in order to benefit the “green agenda”.

CCP CEO Christian Bonfils believes: “In the past charterers and owners had no incentive to work together to meet the green agenda.

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“Digitalisation has developed in shipping, but the data is not used in contracts,” he added. On top of this is the issue that ship data is historically bad.

Thomas Hechmann, CCO at CS, agreed with Bonfils’ analysis, arguing the reason that charter parties have not focused on data is because “No one believes the data”. And the reason for that, he says, is that companies have been collating the wrong sort of data, “We know the problem, garbage in, garbage out,” he said referring to the quality of data.

According to Hechmann the place to begin this transformation is by making sure the data you collect is valid and that your clients can believe in it. “We need details on how the data was collected,” he said.

Once there is confidence in the data a more informed conversation can begin between the charterer and owner, with a view to optimising the routes, commercial optimisation and identifying how these decisions will affect the new environmental regulations.

That includes the EU ETS, CII and the upcoming FuelEU regulations, and later when the IMO introduces its own global versions of a market-based measure and fossil fuel reduction regulations.

As the owner will be liable for these charges they will want to mitigate their impact. At the same time the charterer will also want to pay less, so will seek the most efficient ship for their freight and will then look to mitigate environmental costs or improve the benefits, which would be shared in either case.

As such the regulations are forcing a change of behaviour, if the charterer and owner did not already have a collaborative relationship and will lead to negotiations over routing and speed that were not in contracts previously.

Hechmann pointed out that many of the larger bulk carrier charterers already negotiate with owners, but he conceded that some of the smaller owners and charterers were not on the same wavelength.

Having past good experiences with the charterer will often help to smooth that negotiating process added Hechmann.

Another effect of the new regulations will be that charterers will now want to utilise more efficient ships, to make certain that costly environmental penalties are incurred. As a result, Bonfils argues that companies, such as Cargill, will share in the investment of green technology, which will be costly.

“That means that charterers will want much longer contracts,” to realise the benefits of their investments, explained Bonfils, who said the more normal two-year deals will be extended to 10-year charters.

By having validated, accurate and believable data owners will be able to achieve the longer contracts and that in turn will mean that financial institutions will be more open to lending for vessel upgrades.