Plenty of new box ships but will they meet future emissions regulations?

Container ship designs have always been focused on markets and operational profit, but these calculations are becoming increasingly complex with the push to digitalise and decarbonise.

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File Photo: OOCL container ship newbuildingCredit: OOCL

Volatile fuel costs versus efficiency, cargo capacity with an eye on future demand, are comparatively uncluttered equations, but today's owners must also introduce a raft of new requirements into their thinking such as climate regulations and digitalisation.

At a recent joint International Windship Association and Royal Institution of Naval Architects event this week the keynote speaker, Lars Robert Pedersen, BIMCO's deputy secretary general, broached the subject pointing out that within 16 years, if fleet growth is accounted for, vessels will need to be 90% greener to meet new regulations.

"Many ships already on the water will in their useful lifetime be required to meet this objective – provided that the IMO negotiations will result in the planned agreement at the next MEPC session in April 2025. This is a massive challenge, to achieve on average a 90% reduction in GHG emissions for an existing ship," noted Pedersen.

Meanwhile, a vessel ordering boom in the container shipping industry has seen record levels of tonnage delivered with the ordering boom set to continue into 2026 and perhaps beyond. More efficient tonnage is being ordered, but increasingly owners and operators are settling on LNG powered vessels, because owners calculate they can switch from LNG, should regulations make the GHG economically unviable, to greener fuels such as e-methane.

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However, the delivery of these vessels, many ordered in the wake of the pandemic in 2022, has created a vessel overload.

This is a situation recognised by Xeneta's chief analyst Peter Sand in Xeneta's latest report published 23 October: "The Transpacific trade in 2024 is a case in point on why you need a range of data and analysis to fully understand freight rate volatility and future market movements," wrote Sand, adding: "More specifically, how can Xeneta data explain why spot rates are falling at a time when demand is setting new records?"

The answer, according to Sand, is that carriers increased capacity by 19% in Q3 this year, compared to the previous quarter and by 17% year-on-year. A similar analysis applies to other trades, including the Asia to Europe and regional markets as ships are cascaded.

Sand is less convinced that the ordering is driven by regulation, pointing out that the IMO will not confirm its regulatory stance until next year, which means that owners are uncertain how to structure their orders.

"When we know for certain what the regulatory environment will be then we can say that it is influencing ordering, but that is just compliance," said Sand.

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Ordering at this time is short-term optimisation and "we always see ordering when money is made and owners and tonnage providers invest in the business they know best," concluded Sand, referring to the $300 billion profits the container carriers achieved during and after the pandemic.

Although Sand also points out that there is never one explanation for all vessel orders.