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Politics of piracy action

BRITISH schoolchildren are routinely told of the three great Chartist petitions of the 1830s and 1840s, in which millions of disenfranchised members of the lower orders of society insisted upon what we would today regard as basic democratic rights.

It is true, history teachers generally concede, that the Victorian landowning classes simply laughed off the demands of the great unwashed, at least at the time. But the moral of the story is that five of the six points in the People's Charter were enacted in the decades that followed.

Patiently lobbying the politicians pays off, at least in the end. That's how we do things in this country, unlike the French, who tend to resort to the barricades.

The International Maritime Organization's offices are only 20 minutes' walk from Kennington Park, where the Chartists gathered for their final mass rally in 1848, prior to marching on parliament before the presentation of the third petition. Some of the demonstrators must have walked past the very spot the IMO occupies today.

Earlier this week, a coalition of maritime organisations presented to secretary-general Efthimios Mitropoulos a collection of 920,000 names backing a call for stronger action on Somali piracy. That is an astonishing total to gather in just four months, and the organisers should be congratulated on their initiative, which Lloyd's List heartily endorses.

However, there are a couple of obvious snags with the scheme. First, Mr Mitropoulos will hardly need convincing about the urgency of the situation. Second, his writ runs solely to IMO matters, and does not encompass either the deployment of military assets or the reconstruction assets necessary to put Somalia back on its feet.

The only people who can enact what the shipping industry wishes to see happen are governments, and the cynical view is that most of them have little incentive to do so. It costs money, which is hard to come by in an age of austerity, and there are not many votes in it, either.

We sadly fear that other methods of putting pressure on the politicians will have to be devised.

Seen and heard

IMO secretary-general Ethimios Mitropoulos was in top form addressing the industry and its partners about politicians' responsibility to "show that you are really in touch with the people at the sharp end". (The full text of the speech can be read on www.lloydslist.com.)

That would be the world's one million or so seafarers, a constituency that Mr Mitropoulos rightly observed are virtually invisible to the public that benefits from their labours. Invisibility is not a superficial problem. It leads to many of the problems that test the daily lives of seafarers. Invisibility allows negligent owners to abandon seafarers, governments criminalise them for accidents beyond their control, and the general public to ignore the damaging effect that fatigue can render on the individual.

The IMO has achieved both tangible and intangible goals throughout The Year of the Seafarer. The highest on the list of accomplishments has to be the adoption, by a diplomatic conference in Manila, of major revisions to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers.

The revisions are designed to ensure that the necessary global standards will be in place to train and certify seafarers to operate technologically advanced ships for years to come. The Manila conference also adopted several provisions that establishes better conditions for watchkeepers to avoid fatigue.

On the intangible, but equally important, side, the IMO will draw attention to the key role of seafarers by establishing a Day of the Seafarer every June 25.

As the Year of the Seafarer moves toward its close, the IMO's message to owners, politicians, and everyone that benefits from seaborne trade — which means all of us — is clear: recognise and support the individuals that make it possible. ■

Industry Viewpoint

Jennifer Warren

Top players in gas 'thriller' find an ever-changing plot

Developments in the ability to extract natural gas from a variety of resources has affected the global market and the shipping industry

THE story of the changing fortunes of natural gas exporters and importers begins in the three North Texas counties of Wise, Denton and Tarrant.

In the 1980s, Mitchell Energy began using the technique of hydraulic fracturing to break up shale and extract the natural gas trapped in the unforgiving rock. In the 1990s, advances in horizontal drilling ultimately allowed the extraction of natural gas in the Barnett Shale, one of the biggest natural gas fields in the US. It became prolific in the mid-2000s. Other plays across the US followed suit—the Marcellus in Pennsylvania, Fayetteville in Louisiana, Haynesville and others.

Many industry veterans were bearish on gas until the ability to extract unconventional natural gas from tight gas, shale gas and coal-bed methane proved out. Notably, small and medium-sized independent energy companies pioneered the work. Some claim natural gas is a black swan— a game changer in the energy markets.

Today there is a gas glut in the US, with low prices from a combination of oversupply and economic aftershocks. As a result, the US now exports natural gas alongside importing it, with the import terminal in Cameron Parish, Louisiana, now exporting as well. Gas-fired electricity grew 31% by 2010 from five years earlier, while coal use declined by 6%. This is faster than previous forecasts.

The majors, such as ExxonMobil, Shell, and British Petroleum, have been on a buying spree, making deals in the US and across the globe to transition and diversify their energy portfolios. Exxon is now the largest natural gas producer in the US after its $30bn stock deal with XTO Energy, a natural gas specialist. It plans to accelerate drilling in gas-rich shale fields in North America. ExxonMobil chief executive Rex Tillerson says "gas will grow more rapidly than any other major energy source, given its availability and relatively low carbon profile".

Climbing up: gas-fired electicity in the US has grown 31% since 2005. *Bloomberg*

The implications for the shipping industry are numerous. First, more nuance in the liquefied natural gas market will emerge. Second, new trading routes will be created, while others are maintained or in decline. Third, regional gas blocs may form that are different than before. While gas was considered a regional market in the past, and pipelines still dictate some of that, a global gas market with more similarity to oil markets is emerging. Bank of America analysts forecast an 18% rise in liquefied natural gas, mainly from European and Asian demand. Activities across the globe paint the picture, as does following the money.

Shifts across the globe in natural gas consumption and production are creating a different landscape. The majors' technological expertise acquired from US gas plays is being transferred to countries with potentially lucrative unconventional gas resources. In a climate of low-carbon energy ambitions by governments and businesses, natural gas takes market share in power generation over coal and possibly transportation fuel. It is a viable strategy for countries that want to decrease or minimise oil imports and carbon emissions — the US, China, the UK, Australia and many others.

Key players in the natural gas markets past, present and future also add to the narrative. The Chinese government expressed that up to 2012, natural gas consumption would rise from 4% to 8%; however, PetroChina executives believe the figure will be closer to 10% by 2020. New public and private Sino-US ventures have been signed to explore more of China's unconventional gas resources. But bringing its resources online will take time, money, favourable policies and geologies. China's consumption of natural gas is to reach 110bn cu m in 2010, up 37% from 2008, with expectations it will double by 2020. This year, supplies are to be short by 20bn cu m. Imports of LNG will be needed.

Interestingly, in 2005, China did not import natural gas nor have the infrastructure to accommodate it. By mid-2010, the Chinese had secured LNG supply from a variety of partners. China National Offshore Oil Corp teamed with British-owned BG Group for 3.6m tonnes of LNG from Australia to be supplied annually. It already has long-term, multi-million-tonne contracts with Qatar, a primary exporter of natural gas. PetroChina will build four new LNG terminals, two in process in Jiangsu and Liaoning provinces. CNOOC is also expanding storage and regasification capabilities. China's main LNG suppliers are Australia, Indonesia, Malaysia and Qatar, with Australia China's lead supplier.

Across Latin America, North and West Africa, North America and Asia, LNG activity and investment are increasing. State-owned companies and oil majors are expanding their capacity in natural gas export and import.

Australia is leveraging its unconventional gas resources with the majors. It is targeting coal-bed methane for conversion to LNG to supply energy-hungry Asia. With the help of ExxonMobil, even Papua New Guinea will begin exporting LNG by 2015. As large LNG importers, Japan and South Korea's earlier cutbacks added to global oversupply. The US, with its shale finds, overtook Russia as the top gas producer in early 2010, dashing Gazprom dreams of a 10% US market share.

Qatar continues to ramp up LNG exports, adding six mega-sized liquefaction trains. Dubai is set to receive Qatari LNG for power generation. India continues to invest in its LNG import infrastructure as well. While it is expected to import less by 2015, it will still import from a larger consumption base.

Inevitably, gas prices will rise. Russia, with its vast reserves, will become a re-invigorated producer and exporter at some point. Fuel switching in power generation by other countries — similar to US trends, where natural gas reduces coal's share and its added role in complementing the intermittency of renewables such as wind and solar — is worth watching. If countries and energy companies were characters, the gas story might be considered a thriller, with another sequel to come. ■

Jennifer Warren is principal of Concept Elemental. She researches and writes about global economics and resource sustainability, mixing theory with practice, serving institutions, businesses and governments

Letters to the Editor

Caring for crew accommodation

From Georg Fries

SIR, thank you for your article 'In search of a little peace and quiet' (Lloyd's List, September 16).

Again Michael Grey has raised his voice on behalf of one group of people in the shipping industry that nobody else is really interested in, namely seafarers on board.

On top of this lack of interest, there is the fact that one can only really assess the annoyances that can make life so uncomfortable if one is actually onboard a ship at sea.

I found this out when I talked recently to seafarers about accommodation on large containerships. I know from my own experience as a pilot that on many ships it is practically impossible to stay outside on the rear of the accommodation block because of the noise of the ventilators.

From watching passing containerships, I can see most of them have hardly any windows on the sides of the superstructure — some have none. So there remains the front, with the container stack only a few feet away. Now, anyone can imagine how it is to have no view at all from one's cabin.

What I did not know was that there is also a constant squealing, banging and rattling coming from those containers on a ship rolling at sea. After becoming aware of this, I realised there are companies — that big Danish one, among others — that seem to be able to afford cabins for the crew that have windows with a view. It seems there are companies that do care a little about their crews, Evergreen, Hamburg Süd among others. None of them are known for wasting money.

It would be interesting if someone would do a study about the standards of crew accommodation on comparable ships, such as big container vessels. ■

Georg Fries
Brunsbüttel
Germany

Cutting costs can prove expensive in the long run

From Nick Cutmore

SIR, I have just read the third piece in as many weeks by Clive Davidson on the wonders he performed as chief executive of Australian Maritime Safety Authority in cutting the budget for Aids to Navigation ('Australia can teach UK a lesson on navigational aids', Lloyd's List, September 14).

I have to say it is not actually that difficult to cut costs — it is whether what you have got left is fit for the purpose that matters.

You do not have to go far from the UK coast to observe aids to navigation services funded from a central government purse, so it is easy to see what you will get.

During his tenure at AMSA, Mr Davidson also supervised competitive (i.e. cheap) pilotage in the Great Barrier Reef, clearly unfit for purpose, but felt unable to deal with its obvious deficiencies, which were more apparent with every successive grounding.

The UK Government needs to think long and hard about the light dues debate. The botched 1987 Pilotage Act is a model of how lobbying to reduce costs by certain sectors drives down standards, and ironically ends up costing more. ■

Nick Cutmore
Secretary-general
International Maritime Pilots' Association