

HWG Newsletter 06/2016

"Shipping must not be subjected to more burdens than other means of transport"

Interview with Ralf Nagel, Chief Executive Officer of the German Shipowners' Association (VDR)



Of what relevance are the SECA zones in the North and Baltic Seas for European short sea shipping and RoPax lines?

Here's the good news: Sulphur emissions have been dramatically reduced and shipping is becoming even cleaner. Official measurements confirm that shipowners are complying with the new emissions limitations. The strict threshold may also, in the mid-term, contribute to more ships using clean fuel, such as liquefied natural gas (LNG). Now here's the bad news: Shipowners must pay significantly more for fuel. The low-sulphur marine diesel costs roughly twice as much as traditional heavy fuel oil. Few ships have been outfitted with a scrubber since after-the-fact investments in scrubbers are expensive and technically demanding. Currently, the low oil price is helping shipowners to defray the additional costs for the low-sulphur fuel. For this reason, above all, the feared shifting of traffic from ships to trucks has not yet been felt. But shipping, especially short sea shipping, continues to be in direct competition with other means of transit, in particular with trucking. And after all, fuel for trucks has also gotten cheaper. Many contracts with shipping customers stipulate furthermore that the bunker costs can be adjusted to the current price developments. So we are not really feeling true relief in terms of energy prices. Shipping must therefore not be subjected to even more burdens in comparison with other means of transport.

At a recent joint parliamentary dinner hosted by the maritime business associations, you discussed the innovative and environmentally friendly fuel: LNG. From your perspective, is there a shift from cautious attitudes toward a more open embrace? Has the low oil price negatively impacted the use of alternative means of propulsion?

The German shipowners see great potential in LNG as a clean fuel. Many already have ready-to-deploy plans to use LNG in their ships. The current price difference between oil and gas does not play a significant role. Ships have an operational lifespan of 20 years and more – the oil price will not stay low for that long. The real hurdle for LNG operated ships are the high costs of investments in motors and fuel tanks – roughly one-third more than conventional propulsion systems. The ongoing revenue problems and the caution of banks exacerbate the financing issues. In order for ships using low impact liquefied gas to start sailing, we need effective public financing as a start-up aid. If we start

getting more ships with LNG underway, it will become more interesting for gas suppliers to invest in infrastructure for the provision of these vessels. Going beyond this, many ports have yet to develop the legal frameworks for operating and bunkering LNG ships – but, of course, they have the best accident record since they have these stringent security requirements.

What influence do the new SOLAS rules regarding the weighing of containers have when it comes to the daily work and business of German shipowners?

The new regulations regarding container weighing make sea shipping even safer. The more the owners and seafarers know precisely the weight of the individual containers that are loaded, the more stability they can achieve when stowing cargo. In advance, the IT systems on board and in the terminals need to be adjusted. Specifically in the initial phase, there will be significant administrative effort required until all ports have adapted. The final result is that the situation will be safer – and that is the only thing that matters.

How do you regard the trend of reflagging ships under the German flag? What significance do the new crewing regulations and the rules regarding retention of wage taxes from the German federal government have? What international status does the German flag and do German sailors have nowadays?

The relief with respect to the non-wage labor costs and the more flexible requirements regarding manning provide much needed wind in the sails of the German flag and will thus open up new opportunities for German seafarers. The economic disadvantage of the German flag has thus largely been addressed. Germany now is at the European level which our neighbors in Denmark and the Netherlands have already sustained for quite some time. Without these actions, the German flag would have soon disappeared from international shipping. A large number of other flags like Liberia and Antigua & Barbuda have been increasing their standards for some time and are now among the world's 43 high-quality flags. In flag state controls which aim to secure conformity with the numerous regulations, e.g. in safety and work conditions on board, these flags regularly achieve the best results. They also offer quick and professional service to shipowners. Thanks to uniform training standards, shipowners can find good personnel outside of Europe. Many shipowners cooperate with maritime academies abroad, e.g. in the Philippines, and are training highly qualified personnel there. The industry in Germany needs its own know-how in order to sustain a competitive flag. In order to secure the training of young seafarers, shipowners – in the midst of the crisis – established the German Shipping Foundation for Training and Education of Seafarers (Stiftung Schifffahrtsstandort Deutschland). Each year, they provide 30 million euros for training new seafarers. Roughly 1,300 young seafarers have already benefited from the foundation's support. The most recent measures help these seafarers achieve long-term careers. Multiple VDR member companies have reacted and flagged ships back to Germany, which is a very positive development that will profit the entire German maritime industry. Indeed, the shipping and engineering knowledge of the seafarers is needed not only on ships but also in many economic sectors – research institutes and shore administrations – including the harbormasters and pilots who are essential for the functioning of the ports.

A Framework for the Future of LNG

Politicians and associations address the possibilities for deploying environmentally friendly propulsion aboard seagoing vessels



What relevance does liquefied natural gas (LNG) have for shipping and for the maritime industry in Germany? This question was the subject of a discussion in which four industry associations and federal politicians participated at a parliamentary dinner on 6 June in Berlin. They had been invited by the German Association of Shipowners (VDR), the Association for Shipbuilding and Maritime Technology (VSM), the Central Association of German Port Operators (ZDS) and the Maritime LNG Platform.

With the creation of ever more Sulphur Emission Control Areas (SECAs), zones in which emissions of sulphur and sulphur oxides are limited, the demand for environmentally friendly methods of propulsion for ships will grow. A solution for this increased demand is the use of LNG as fuel. However, the framework has not been created yet for the deployment and storage of LNG in normal ships, namely generally-binding international provisions and certifications. The initial hype surrounding the 'topic of the future' has somewhat faded in recent months due to the persistently low oil price. Nonetheless, Ralf Nagel, managing board member of the Association of German Shipowners confirmed:

“German shipowners are convinced that LNG has future potential. A broad governmental start subsidy is required in order to increase the shipside demand for LNG, mitigate investment risks and create uniform competitive conditions vis-a-vis other EU states. Not only would the environment benefit from this, but the potential for creating more value and employment in one of the technologies of the future would thus be established right here in Germany.”

Of the roughly 150 interested participants, representatives of the four Federal Parliament parties were also there to discuss which framework conditions would be required in order to promote the use of LNG in the maritime industry. The joint parliamentary dinner persuasively demonstrated the role that LNG has in the development of a sustainable maritime industry and which steps the federal government and the political parties can take to promote its successful establishment. At the same time, however, areas were indicated which urgently require action.

Reflagging of the BREMER JOHANNA

BREB GmbH & Co. KG consciously bets on German sailors and the German flag



Since 24 May 2016, BREMER JOHANNA is back under the German flag with Cuxhaven as its home port. For the past eight years, the modern forest products vessel sailed under Gibraltar's European flag. BREMER JOHANNA is owned by BREB GmbH & Co. KG, a member of the HWG with its headquarters in Cuxhaven. She was built at Royal Bodewes in 2008 in the Dutch city of Hoogezand.

Following the reflagging, BREB is consciously betting on the healthy cost structure and the excellent reputation of both the German flag

and German sailors, which are greatly respected by customers and ports. A graduate of the Maritime College of Cuxhaven is also sailing on board as a second nautical officer, who is splitting the position with a colleague in a 'job sharing' model.

BREMER JOHANNA is the most recently built ship of a trio of modern forest product vessels that have their own gear and a carrying capacity of 4,000 cargo tons. Their sister ships BREMER ELENA and BREMER ANNA were conceived, designed and built – just as she was – under the aegis of the "Blue Angel" environmental certification.

The shipping company has consistently high quality in all areas of its business. Customer service, environmental protection and security are the primary focus. In total, BREB manages a fleet of nine vessels of which six are sailing under the German flag. By the end of the year, an additional ship deployed by BREB will re-register under the German flag.

First groundbreaking for the new Siemens factory

The construction work for the first newly built German Siemens factory in 20 years has begun



The biggest topic in the city of Cuxhaven in recent months is the upcoming establishment of Siemens AG's factory. The global conglomerate will be creating a production plant for gearless wind energy turbines for deployment offshore in Cuxhaven starting in 2017. At all levels, expectations are that working conditions, living conditions and infrastructure in this coastal city will enjoy improvements in the course of the arrival of the new global player.

In mid-June, state and local politicians and business representatives celebrated the symbolic first groundbreaking. Since then construction work has been ongoing – just one short year after the initial decision to invest was made. Enak Ferlemann, Parliamentary State Secretary at the Federal Ministry for Traffic and Digital Infrastructure, emphasized the importance of the project for Germany's future energy infrastructure and, at the same time, for the coastal economy: "Along the German North and Baltic Sea coasts, a new industry is developing which is not just improving the job market, but also driving forward the energy revolution. Cuxhaven is clearly on the path to the future."

Given that the future production floor must bear the weight of many hundreds of tons, it was necessary to build out the existing foundation even before construction started. This was completed in recent weeks, so that today 1,900 concrete foundation piles in the ground provide a solid base. The total usable area of the facility is roughly 55,000 square meters. In addition to the shop floor, there is a two story office space with 3,800 square meters that houses the administration as well as a cafeteria and technological and janitorial/housekeeping areas. The new Siemens facility thus has an overall surface area of roughly 170,000 square meters.

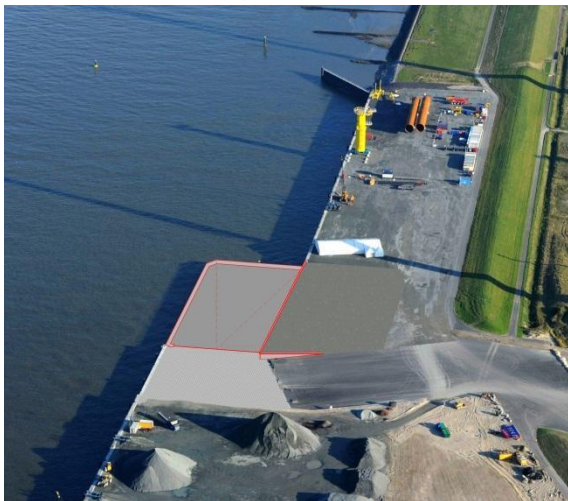
The groundbreaking represents the start of construction but also the scheduled change of project responsibility on the side of Siemens to the new project manager, Carsten-Sünke Berendsen. Markus Tacker, CEO of Siemens Wind Power and Renewables, thanked Berendsen's predecessor, Thorsten Granzow, for his energetic efforts in the context of planning and preparing the construction work.

Following the conclusion of the work in Cuxhaven, in conjunction with the production plant located in the British city of Hull, components for the offshore wind industry will be manufactured. Both offshore production sites and the installation port sites are connected by two special transport

vessels. In order to avoid expensive and difficult crane deployments, the components are transported using roll on/roll off methods.

Construction begins on Berth 9.3

Beginning in 2017, a dedicated RoRo ramp will allow for the loading of heavy lift consignments



On 29 June 2016, Niedersachsen Ports and Olaf Lies, Lower Saxony's Minister for Economic Affairs, launched the development of the new berth 9.3 with a symbolic 'pressing of the button' to drive in the first pile. The 9.5 million euro investment in the facilities of the German Offshore Industry Center Cuxhaven (*Deutsches Offshore-Industrie-Zentrum Cuxhaven*) is to be completed by the summer of 2017 and includes construction of a 115 meter long and 55 meter wide fixed ramp for Roll-on/Roll-off traffic. With this, heavy lift consignments up to 1,000 tons can be handled in Cuxhaven.

To start, 400 concrete foundation piles will be rammed 32 meters deep into the ground. When the new Siemens plant begins production of wind turbines in 2017, these shall be shipped via the new ramp at berth 9.3. In total, the German Offshore Industry Center Cuxhaven has combined wharf and pier space with a total length of more than 2,000 meters and can provide a maximum draught of up to 15 meters. Using a variety of handling methods, the port can service and work any and all freight that the offshore wind industry may need. Extensive operational areas offer storage capacity sufficient for several wind farm projects. All piers and wharfs are designed for heavy lift cargoes and are interconnected.

"For the future, we are creating a better infrastructure for local businesses. As a logistics hub, Cuxhaven will, due to this project, not just be stronger in terms of performance, but will also be more attractive for our port customers," emphasized Holger Banik, Managing Director of Niedersachsen Ports GmbH & Co. KG and the JadeWeserPort Realisierungs GmbH.

Harbour Minister Olaf Lies commented on the construction commencement: "With our port policies, the investments that have already been launched and the current direction of the energy policy framework for the future of the offshore wind industry, we are moving down the right path. With the establishment of Siemens and, going forward, other businesses such as subsuppliers, we are holding

a steady course and creating jobs for the entire region. The commencement of construction for berth 9.3 is a further visible sign of the rapid development of the German Offshore Industry Center in Cuxhaven.”

Tourism and business are mutually enriching

The HWG congratulates the seaside resort of Cuxhaven on its 200th anniversary



On 24 June, approximately 120 representatives from politics, tourism and economy met in the *Schloss Ritzebüttel* to celebrate the formation of the Seaside Resort of Cuxhaven (*Seebad Cuxhaven*), which took place 200 years ago. The HWG is pleased to add its congratulations alongside Cuxhaven’s Lord Mayor Dr. Ulrich Getsch, Lower Saxony’s Minister for Economic Affairs Olaf Lies and Hamburg Senator of Commerce Frank Horch.

Cuxhaven’s economy profits from tourism and tourism, in turn, profits from the maritime industry. The combination of transport and port services, offshore wind energy, fishing and tourism offers great potential for synergies amongst businesses in the port city. Some of our members are directly active in the tourism branch whilst all the others owe to tourism the high quality of life in this North Sea resort city, which contributes to retaining good employees and even motivates people to move their families to the North Sea coast.

The around 49,000 inhabitants of Cuxhaven enjoy the advantages of living in a place where others come for vacation. They have tourism to thank for maintaining an attractive urban landscape including, for example, the renewal of the seafront promenade and investments in infrastructure, amongst others. It is with thanks to the visitors that various recreational facilities such as the modern Thalasso Centre, the UNESCO World Heritage Site Wattenmeer Visitor Centre and the maritime museum “Windstärke 10” (Wind Force 10) were promoted and built up.

On the other hand, for spa guests and vacationers, the maritime industry in Cuxhaven is part and parcel with the overall ‘Cuxhaven Package’, as are just as much the climate and the landscape.

Without ferries docking, mooring and casting off again, without fish trawlers and freighters, Cuxhaven would be just as difficult to imagine as if it did not have the Alte Liebe, the Kugelbake and wicker beach chairs. The maritime industry, with its cargo handling businesses, its offshore wind industry and its fishery sector, are evidence of the port being more than just a museum for tourists.

In addition to this, Cuxhaven as the German Offshore Industry Center has been adapting to the demands of the market for many years. A substantial proportion of future demand for electricity will be sourced from the operation of environmentally-friendly wind energy turbines along the North Sea coast. This concept of climate protection is one which Cuxhaven also fills with life on an urban scale, having launched the 'Cuxhaven 2030 – Climate Active City' (*Cuxhaven 2030 – klimaaktive Stadt*) competition, so that the city may continue to offer a high quality of life and sound future prospects for its residents and visitors.

Because of this, the Cuxhaven Port Business Association anticipates future developments in tourism with confidence and hopes for continued mutual enrichment.

The HWG introduces her members: Sea Survival Center Cuxhaven and Offshore-Safety-Training Center Cuxhaven O.S.T. GmbH & Co. KG



Profile

Company Name:	Sea Survival Center Cuxhaven Offshore-Safety-Trainingscenter Cuxhaven O.S.T. GmbH & Co. KG (SSC Cuxhaven is founding member and partner)
Founding Year:	SSC Cuxhaven 2004 / O.S.T. 2011
Industry:	Training facility for: Offshore personnel /Ship and Helicopter Crew and Deep Sea Sailors
Locations:	Cuxhaven
Portfolio:	Sea Survival, Helicopter Underwater Escape Training incl. Compressed Air Emergency Breathing System, Fire Awareness, Manual Handling, Working at Height, Electric Instructed Person according to DGUV, Company First Aider according to DGUV, First Aider Offshore according to DGUV, Safety Course according to World Sailing Special Regs

Interview with Rolf Fremgen, Owner of the Sea Survival Center Cuxhaven and Managing Shareholder and Director of O.S.T. GmbH & Co. KG



Question 1 – With which qualities would you characterize your company?

Quality is the central element of our company policy. This is expressed in our mission statement:

It is our goal to be a distinguished provider of safety training for the wind industry both on- and offshore, and for ship and helicopter crew along with high seas sailing crews, and to make a contribution to the physical safety of all those who work in this field.

We define quality as the fulfillment of all contractual requirements vis-a-vis the customer. Above all else, for us, stands the overarching principle that we are obligated to strive toward constant improvement, which as a small business is something we want and have to work toward.

Question 2 – Why are you a member of the HWG?

We are a member of the HWG since, for a local business, it is a given to be involved in strengthening the community and developing its network, but of course it is also a matter of self-interest.

Question 3 – What is your personal wish for your business?

Secure long-term planning – that would mean decisive political decisions in relation to the as yet unanswered questions regarding the developmental goals of the offshore wind industry, including the onshore electrical grid expansion toward southern Germany.

Further information on the company can be found here: ssc-cuxhaven.de and here www.ost-cux.de

This message has been sent to you by the Cuxhaven Port Business Association (Hafenwirtschaftsgemeinschaft Cuxhaven e.V.).

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