TOMAX NEWS

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MARKET SUMMARY

• Shipping lines around the globe are rubbing their hands together as the current higher than expected demand is driving up rates on the China export ocean freight market. Rates from China to Australia are expected to hit as high as USD 3000 per 40’ during June if the current trend continues.

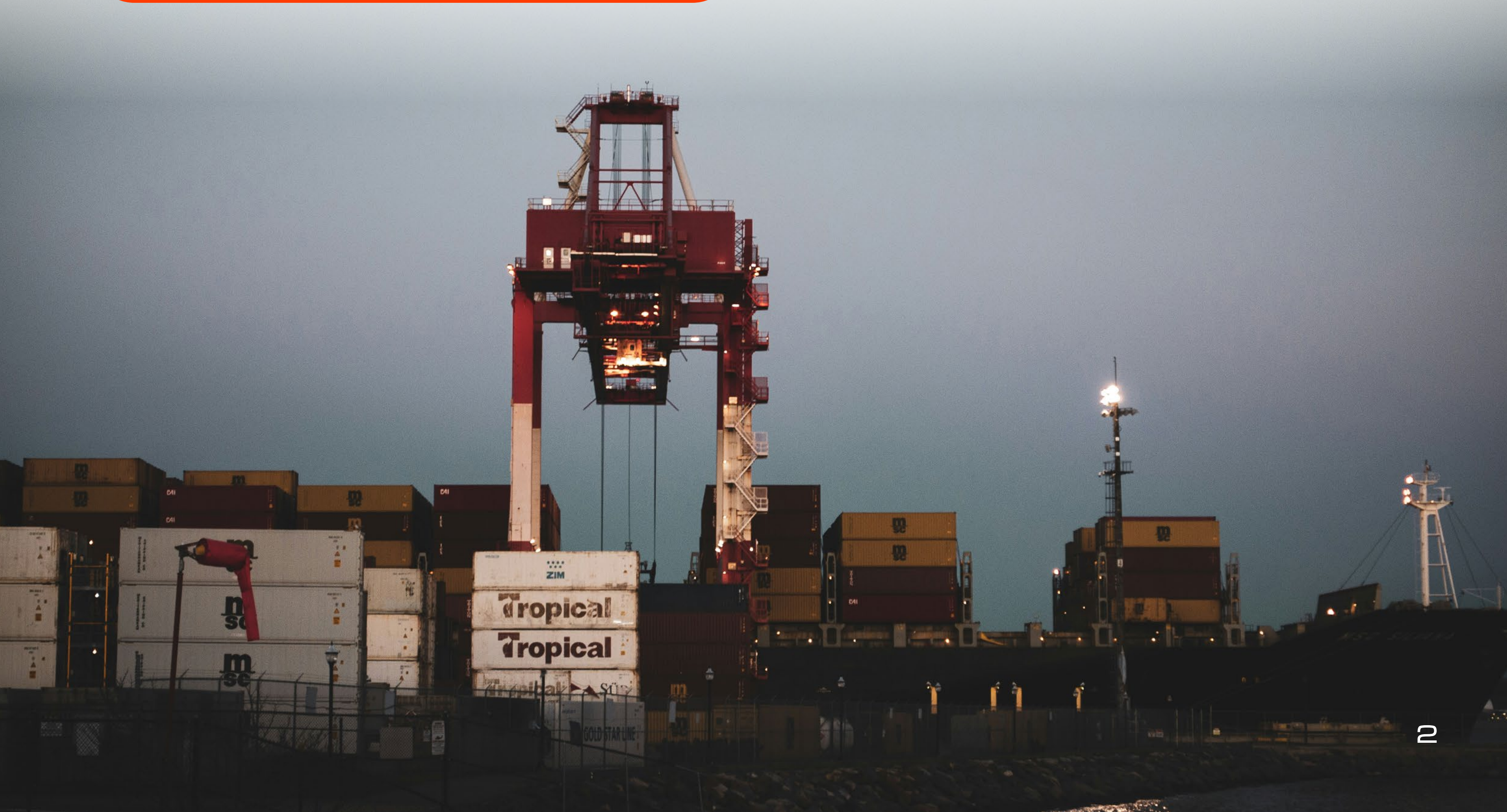
• Have you checked out the *NEW* Tomax Live yet? We have recently launched a new online portal for our customers giving in depth and specifically tailored insights into your freight and warehousing transactions. Contact your Tomax Account Manager today for more information.

• Tomax Warehousing Status Update: *Melbourne*: Space Available / *Brisbane*: Space Tight / *Perth*: Space Available – contact warehouse@tomax.com.au to find out more about our warehousing and distribution services.

TARIFF CONCESSIONS GAZETTE (TC)

Tariff Concession Orders (TCOs) are an Australian Government revenue concession that exists where there are no known Australian manufacturers of goods that are substitutable for imported goods. The weekly Tomax Client Newsletter will contain a link to the latest Gazette document so that you can stay updated.

CLICK TO VIEW LATEST GAZETTE



LIVE SHEEP EXPORTS BY SEA BANNED IN 2028

The Australian Government has announced the export of live sheep by sea will end on 1 May 2028. Legislation will be introduced in this term of the Australian Parliament to end the trade in law.

Trade can continue until the end date without any additional restrictions such as caps or quotas. The prohibition will not apply to other livestock export industries, such as live cattle exports, nor will it apply to live sheep exports by air.

The Minister for Agriculture, Fisheries and Forestry, Senator the Hon Murray Watt, announced the decision on 11 May 2024 together with the release of the government response to the report of the Independent Panel and a transition support package These decisions are consistent with the recommendations of the Independent Panel provided to the Minister on 25 October 2023 following extensive consultation with stakeholders.

The Minister and Independent Panel thank all stakeholders who provided input into how and when the phase out could be implemented. The Australian Government considered the Independent Panel report and developed a response to implement the phase out in an orderly way.

The government considers that a firm date for the end of the trade, enacted through legislation, provides certainty and time for adjustments to be made. An end date means that impacted individuals, businesses and communities can now plan for a future without live sheep exports by sea.

Consistent with the recommendations of the Independent Panel, the government response provides for a transition plan and transition support package. The Australian Government has committed $107 million over 5 years for sheep producers and the supply chain to plan for and adjust to the phase out. A range of existing government programs will support delivery of the recommendations in key areas like labour and competition.

Early action is being encouraged by the provision of funding now. We want to ensure those affected by the phase out are well-positioned, resilient and ready when the trade ends in 2028.

Australian Government (2024). Phase out of live sheep exports by sea. Retrieved from https://www.agriculture.gov.au/biosecurity-trade/export/controlled-goods/live-animals/livestock/live-sheep-exports-phase-outon 17th May, 2024.

GOING GREENER CREATES 4 MILLION NEW JOBS

A recent analysis, commissioned by the Global Maritime Forum and conducted by Arup, forecasts that the maritime sector's shift to e-fuels could generate as many as four million new green jobs by 2050, effectively doubling the current global seafarer workforce.

Being the backbone of the global economy - handling 80% of global trade, the shipping industry is under immense pressure to swiftly decarbonise. Currently, the industry is accountable for 3% of global CO2 emissions, which is equivalent to Japan's annual emissions. In 2023, the International Maritime Organisation (IMO)'s member states agreed on a timeline to cease fossil fuel consumption "by or around" 2050.

The new study, titled "Green Jobs and Maritime Decarbonisation," predicts job creation across the three primary phases of the supply chain: renewable energy generation, hydrogen production, and e-fuel production.

"To meet this objective, substantial quantities of scalable zero-emission fuels will be necessary, with a significant portion being e-fuels derived from hydrogen. Projections indicate that the shipping industry's demand for e-fuels could escalate to over 500 million tonnes by 2040, reaching 600 million tonnes by 2050. Fulfilling such demand might necessitate an additional 2TW of renewable energy generation capacity and 1TW of hydrogen production capacity by 2050," the study concluded.

The analysis delves into renewable energy and fuel production associated with e-fuels, envisioning a scenario where e-fuels become the primary energy source for international shipping. In this scenario, an estimated 3.2 trillion investment is required to bolster the development of renewable infrastructure, hydrogen production, and fuel production facilities for e-ammonia for shipping.

"This substantial capital investment will significantly catalyse the creation of green jobs throughout the supply chain. It also holds the potential to yield substantial benefits to the broader economy, advancing climate action while fostering the growth of renewable energy projects and the adoption of green hydrogen across various sectors," stated the GMF.

Jesse Fahnestock, the Forum's director of decarbonisation, emphasised that the research represents a pivotal initial stride in understanding the pivotal role maritime decarbonisation will play in generating green jobs within the energy sector.

"The analysis underscores the vast potential to create numerous highly skilled green jobs, driven primarily by a single fuel. Many of these jobs could also be adaptable to other sectors, furthering decarbonisation efforts beyond shipping," Fahnestock noted.

Crisp, D. (2024). GMF: DECARBONISING SHIPPING WILL BE A JOB CREATOR. Retrieved from https://www.thedcn.com.au/subscriber-content/gmf-decarbonising-shipping-will-be-a-job-creator/ on 16th May, 2024

SHIPPING CONTAINER INDUSTRY SOARS

Last month, container output surged to 521,000 TEU, marking a post-Covid peak, as reported by Linerlytica. The analysis indicates that all manufacturing slots in container factories are fully booked until the end of July. Moreover, the report forecasts an influx of over 4 million TEU of new containers to be delivered this year, surpassing the 1.97 million TEU produced in 2023.

Container production soared to a record high in 2021, with over 6 million TEU manufactured to address the demand stemming from the gradual return of empty containers during the pandemic. Linerlytica highlighted the sense of urgency among carriers, with Maersk citing a capacity loss of 15-20% on the Asia-Europe and Mediterranean routes. While the actual capacity situation might not be as dire as suggested by carriers, the unexpected surge in demand has led to shortages in both container equipment and vessels.

Among the mainline operators, MSC leads the pack with orders for nearly 400,000 TEU, followed closely by ONE and Evergreen. Cosco Shipping Development (CSD), the parent company of Dong Fang Container, the world's second-largest container manufacturer, and equipment lessor Florens, indicated during a post-results briefing that container demand is anticipated to stabilise this year after a steep decline in 2023.

In the first quarter of 2024, CSD reported a net profit of $61.91 million, up 12% from the same period in 2023, reflecting the recovery in demand. This contrasts starkly with a 64% year-on-year drop in net profit in the previous year, which amounted to CNY1.41 billion.

Chairman Zhang Mingwen of CSD remarked, "since the fourth quarter of 2023, container shipping has experienced a rapid recovery, partly due to the impact of the Red Sea incident, which has bolstered container demand to some extent. This year, the Red Sea situation has delayed container turnover, ship allocations, and shipments before the Chinese New Year, leading liner operators and shippers to exhibit greater interest in purchasing containers. We anticipate a robust foundation this year, driven by the demand for new containers, the necessity to replace ageing boxes, and new container applications."

Dong Fang Container has exhausted its dry container slots until after August, while all reefers are fully booked until July.

Li, M. (2024). 'Liner panic' as new container production hits a post-Covid peak. Retrieved from https://theloadstar.com/liner-panic-as-new-container-production-hits-a-post-covid-peak/ on 15th May, 2024.

EUROPE PREPARES FOR NEW ICS2 ROLLOUT

With just 11 working days left until its implementation on June 3rd, global and European associations are urgently informing forwarders, shippers, and carriers about the upcoming introduction of the new Import Control System (ICS2) in the EU.

Eight prominent groups, including FIATA, Clecat, IRU, and WSC, have jointly issued a notice emphasising the significant impact that the new controls will wield. Under the new regulations, detailed information regarding any goods entering the EU, Norway, Switzerland, or Northern Ireland via sea, road, or rail must be provided to the EU prior to loading or arrival at an EU border. While |these requirements were introduced for airfreight last year, they will be extended to sea freight starting on June 3rd, and to road and rail next year.

The new data requirements are described as "extensive," necessitating the provision of six-digit HS codes for each item in the consignment, along with an "acceptable" description, and comprehensive buyer and seller information. The associations are urging stakeholders within the supply chain industry to commence preparations for compliance with the new rules. They caution that failure to adhere to these regulations could result in delayed imports and exports, as well as potential fines and penalties for those responsible for submitting the requisite data.

The implementation of ICS2 was postponed previously due to concerns raised by member states regarding insufficient time for preparation and some issues that surfaced following its introduction in airfreight and express shipments. Nonetheless, the industry largely welcomed ICS2 for its aim to enhance data quality by requiring data submission prior to departure.

Lennane, A. (2024). Ready for EC's new import rules for maritime? ICS2 11 working days away. Retrieved from https://theloadstar.com/ready-for-ecs-new-import-rules-for-maritime-ics2-11-working-days-away/ on 17th May, 2024.

U.S IMPOSES TARIFF SURGE ON CHINESE EV IMPORTS

The Biden administration plans to quadruple tariffs on Chinese electric vehicle (EV) imports into the US, prompting Transport & Environment (T&E) to advocate for similar incentives in Europe as the "battery race" intensifies.

According to The Wall Street Journal, tariffs on clean-energy goods exported from China to the US will increase from 25% to 100%, significantly impacting critical minerals, solar goods, and batteries. The focus, however, is primarily on electric vehicles.

While the existing 25% tariff has largely restricted new Chinese EV models from entering the US market, concerns persist among the Biden administration and domestic automakers regarding the scale of Chinese manufacturing.

In a recent study, T&E highlighted that over half of Europe's battery production plans face risks from competition in global markets, particularly China and the US, unless governments take stronger action.

T&E reported that nearly half of Europe's planned lithium-ion battery production up to 2030 is secure, indicating a one-third increase from the previous year due to measures in response to the US Inflation Reduction Act.

However, T&E cautioned that 53% of announced cell manufacturing capacity remains at medium or high risk of being delayed, scaled down, or cancelled without additional government support.

Julia Poliscanova, senior director for vehicles and e-mobility supply chains at T&E, highlighted the intensifying battery competition among China, Europe, and the US, urging the EU to provide clarity on its engine phase-out and set corporate EV targets to reassure gigafactory investors.

The study also revealed that localising the EV supply chain in Europe could reduce battery production emissions by 37% compared to a China-controlled supply chain, rising to 60% with the use of renewable electricity.

T&E projected that producing Europe's battery cells and components domestically could save an estimated 133 million tonnes of CO_2 between 2024 and 2030, equivalent to the total annual emissions of Czechia.

Goldstone, C. (2024). 'Battery race' heats up as US quadruples tariffs on Chinese EV imports. Retrieved from https://theloadstar.com/battery-race-heats-up-as-us-quadruples-tariffs-on-chinese-ev-imports/ on 17th May, 2024.

SPOT THE 5 DIFFERENCES

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