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THURSDAY, 28 NOVEMBER 2019

“ASSESSING CLIMATE RISK FOR SHIP FINANCIERS”

By

DR. SOPHIE PARKER, PhD
PRINCIPAL CONSULTANT, UMAS

Meeting to be held at

***Lloyds Register, 71 Fenchurch Street London EC3M 4BS
at 17:30 for 18:15 hours (duration approximately 1 hour)***

The IMO's 2020 sulphur regulation has created a technological conundrum for the shipping industry. The response has been fragmented; some shipowners are fitting their ships with scrubbers, investing in LNG-fuelled ships, switching to low-sulphur fuel oil or taking a mixed approach. Looming in the future is the IMO's initial strategy to tackle GHG emissions in the sector by setting an absolute GHG emission target by 2050 and a carbon intensity target as early as 2030. The global fleet needs to achieve approximately an 80% reduction in intensity to meet its at least 50% reduction target, with 100% reduction still on the cards. Due to the large reductions required for the sector and the long asset lifetime of ships, non-fossil fuelled powered ships and zero carbon technologies will be needed in the market by 2030. This means that ships built today will face another conundrum mid-way through their economic lifetime, and the decision made on how they comply with sulphur limits has ramifications on the emerging zero carbon fuels that can be used onboard.

This report provides a preliminary guide for how financial institutions and investors should incorporate climate risk into their lending and investing decisions. The focus is on risks related to transitioning to a low carbon economy as a result of GHG regulation and disruptive clean technology in the shipping industry. The report has four recommendations for banks to follow to incorporate climate risk into their portfolio level risk management practice which include measuring the climate alignment of ship finance portfolio, assessing why a portfolio is aligned or misaligned, determining what solutions are available to align vessels to the decarbonisation trajectory, and assessing the profitability of implementing those solutions and the risk of not investing on loan impairment.

ALL ARE WELCOME

PLEASE CONTACT THE HONORARY SECRETARY, MS. LOURDES ELONA-LILLEY, FRINA AT london.rina44@gmail.com FOR BOOKINGS AND ADVISE IF A CONTINUING PROFESSIONAL DEVELOPMENT (CPD) CERTIFICATE IS REQUIRED. PLEASE CIRCULATE.