

Russian Maritime *Days*

• May 23-24 2019 •
St. Petersburg, Russia





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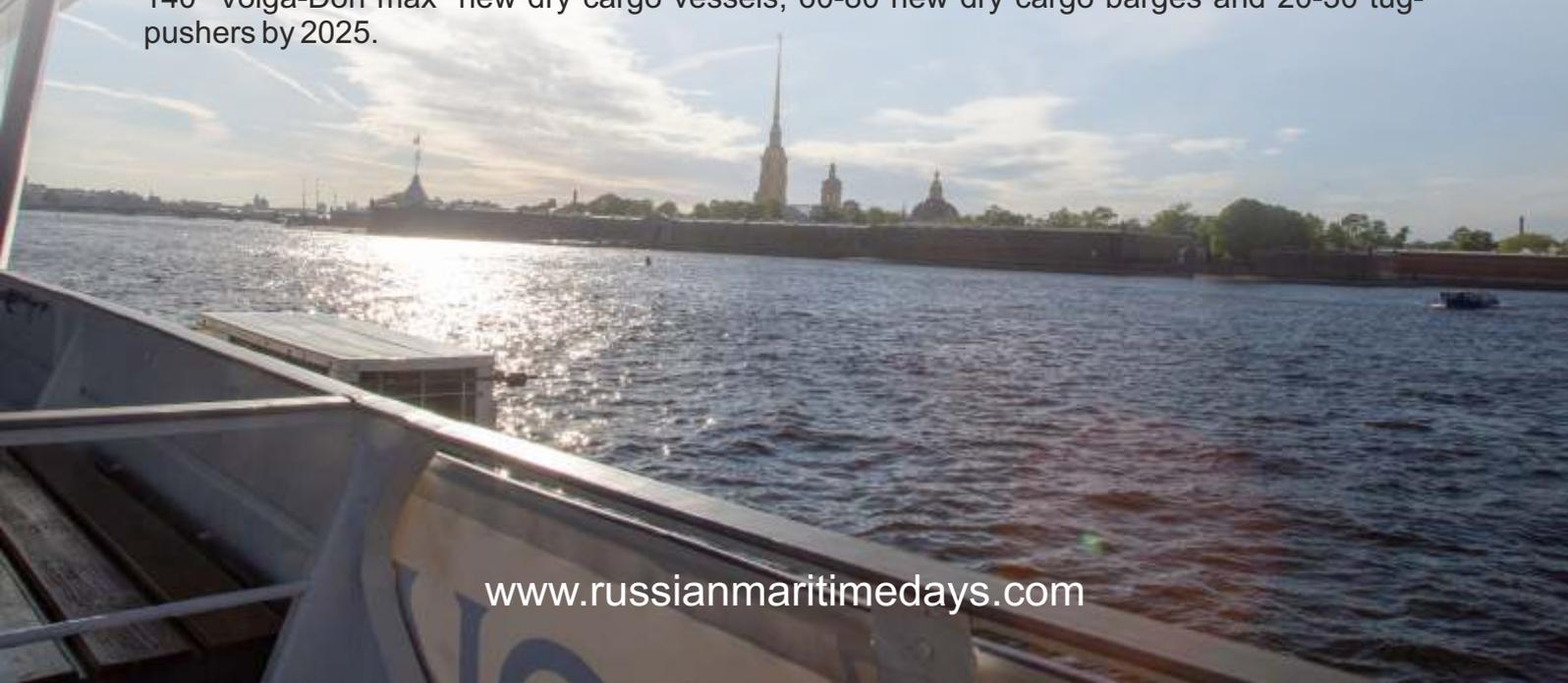
Russian Maritime Days held in St. Petersburg

On 23 – 24 of May in St. Petersburg, Courtyard by Marriott St. Petersburg Pushkin hotel, discussions of the Russian Maritime Days transport forum were held.

The total number of vessels of the marine transport fleet under Russian flag at the beginning of this year according to the vessel registration system data, amounted to 3863 units with total deadweight of about 4.7 million tons. Experts note that in 2019 Russian sea ports capacity increase and specialized terminals construction (the increase in production capacity of sea ports is planned in the amount of 35.5 million tons due to the implementation of investment projects in the sea ports of Murmansk, Vysotsk, Kaliningrad, Taman, Novorossiysk, Vanino, Vostochny) are expected. Foreign trade economic relations development and dialogue between business and government continue.

Russian Maritime Days «Shipping market main trends» plenary session was opened by Egorov Gennady, CEO in Marine Engineering Bureau. Speaker told about the state of the merchant fleet in Russia and Ukraine, and the prospects for its renewal. Noted that since 2007/8 annually about 40 “Volgobalt” and “Sormovskiy” class ships deducted and the age of the remaining exceeds the average age of disposal (36 years). “Written off about 710 units, in operation – 850 ships. We are working with the fleet which should have been decommissioned already” said Egorov Gennady.

However, there is also the new fleet construction. Expert reminded that until 2016 shipbuilding market maximum driver were tankers. Today bulk carriers took this place. RSD59 vessels do not have analogues in the world and in 2018/19 9 units built and 35 ordered. To maintain the already transported dry cargo volume on the inland waterways and coastal routes of Russia and coastal transportation in Azov-Black sea region basin it'll be necessary to build about 130-140 “Volga-Don max” new dry cargo vessels, 60-80 new dry cargo barges and 20-30 tug-pushers by 2025.





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After the expert's speech wide discussion was caused by two questions - single cargo base in the Russia-Ukraine space and the so-called Problem 2020. In the first case experts agreed that policy is not a hindrance for business. But when it came to the International Convention for the Prevention of Pollution from Ships (MARPOL) Russian and foreign delegates started a heated dispute. Traditional Russian "Maybe", ability to read between the lines in conventions preambles plunged foreigners into bewilderment. Because traditional Western approach of the any letter of the law implementation has no questions to the establishment of sulfur oxides emission restrictions and, in fact, to the fuel use in the sulfur emission control areas (Baltic Sea, North Sea and The Channel) rules. We remind that already on the 9th of May 2005 Annex VI to MARPOL 73/78 was adopted which prohibits the use of fuel with the sulfur content exceeding 4,5% worldwide. For foreign operators it was not difficult to fulfill this requirement because almost every bunkering is carried out with the fuels in which sulfur content does not exceed required 4,5% (exception is only 0.2% form the total number of bunkering). In addition to sulfur content limiting Annex VI also establishes general requirements for the liquid fuel quality in line with the requirements of ISO 8217 international standard. These requirements must be done by all countries ratified MARPOL Annex VI. And since all the responsibility for the fuel quality falls on the suppliers Port State Control was obliged to organize a register of fuel suppliers and to finance all cases of high sulfur content fuel supply.

In addition to International Maritime Organization European Parliament also impose certain requirements to the sulfur content in fuel. Consequences of the fuel with sulfur content not exceeding 0.1% use in the berths and territorial waters are very harsh. According to the new rules which will take effect on the 1st of January 2020 ships will be prohibited to burn any marine fuel containing more than 0.5% of sulfur if they are not equipped with an approved "equivalent device" such as exhaust gas cleaning system or scrubbers. Welcoming the amendments draft the clean transportations Coalition (in consultative status with IMO) stated that this step will close all the law regulation loopholes which leave open possibility for shipowners to avoid new rules when operating out of sight on high seas. Inappropriate fuel use ban will make it much more difficult for unscrupulous ship operators to ignore the rules and burn cheaper fuel avoiding serious sanctions. This decision will be a really important step the environment protection.





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Evgeniy Dolgikh, KALINKA SHIPPING broker company owner, tried to calm those who presented regarding the Problem-2020 and to outline economic challenges. Russian Railways, using its powerful logistics resource, again won the fight for cargo with the river-sea class tankers. The latter have been working in the negative for more than five years, and such a bias can bring disastrous consequences for the market, the expert notes.

Summing up the results of the sea transportation of oil and oil products in 2018\19, the speaker noted that USA reduces its dependence on oil imports and claims to become its exporter, along with the other players. While the role of Venezuela in this great game is significantly reducing. And although a large number of players today does not allow any of them to dictate their conditions to the market, how to know what will happen next...

Sergey Semionov, Morstroytechnology company development director, considered results and prospects of the Russian sea trade seaports development. Speaker noted that oil turnover has been declining for several years (as opposed to oil products), so in 2018 "Transneft" reduced oil exports by 1.4%, and through seaports – on 11% (-15 million tons). "Transneft" has completed the implementation of the "Sever-25" project - reorientation of the oil pipeline to oil products (Euro-5 diesel fuel). Oil is partially replaced by oil products.

Containers are growing up, but they did not reach their peak, which took place before the crisis in 2014. Going to develop and reconstruct terminal facilities in Baltic Sea (the same containers – CTSP; coal – LUKOIL, MRC, Ust-Luga; CNG – Gazprom, CryoGas Vysotsk; fertilizers – Eurochem, uralchem and so on).

Cargo turnover in the ports of the Azov-Black Sea basin has almost doubled over the past 13 years. Novorossiysk port grows with containers, grain, ferrous metals, oil products. Since 2014 there has been the traffic volume increase in connection with the Crimea via the ferry port of Caucasus, grain transshipment grows. Since 2009 the ports of Azov and Rostov started to be considered as seaports, and today they have added to the growth of cargo turnover in the region. GC OTEKO in Taman invests in bulk cargo terminals, grain terminals, CNG terminal.





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Alexander Kulikov, Sea Lines company CEO, made an analysis of the Azov-Black Sea region freight market.

Far East ports, according to Morstroytechnology company, showed 5% dynamics in 2018. The total cargo turnover of the port of Vladivostok last year increased by a quarter, mainly due to ferrous metals. The coal power develops in the region: the construction of the 3rd line of "East Port", "VostokCoal" acquired a 50% in "Port Vera management".

The Northern sea route showed excellent dynamics at the end of 2018.

The Northern sea route again caused controversy at the forum.

Sergey Brestkin, ice center director in Arctic and Antarctic research Institute, noted that in connection with the active development of hydrocarbon deposits on the coast and shelf of the Arctic seas, there is a rapid increase in cargo flow along the North sea route, mainly due to year-round export of hydrocarbons in the Western and Eastern directions from three ports in the Kara sea: Sabetta (liquefied gas), New Port (oil), Dixon (coal). And if in 2015 the volume of traffic amounted to 5.4 million tons, in 2016. - 7 million (record), in 2017 -10 million, in 2018 – already 19.7 million tons.

In accordance with the decree of Vladimir Putin to 2024. cargo traffic on the Northern sea route should increase to 80 million tons. Meanwhile, marine activities in the Arctic are associated with risks and require the use of icebreakers and vessels with increased ice permeability (heavier and more expensive than conventional vessels), which significantly increases costs. These risks and additional costs can be minimized through the use of tactics of "selective ice navigation", when the results of the monitoring of the ice cover are selected the best options for marine operations and for an objective assessment of the ice qualities of ships ice passports are needed. Ice passport just contains recommendations to improve the efficiency of operation of the vessel by selecting the optimal modes of movement in the ice: the highest safe speed and minimize the likelihood of damage to the hull.

The session on maritime risks were also performed by:

Andrey Suprunenko, Remedy company director, with information on the risks associated with shipping in the Black Sea.

Alexey Karchemov, senior associate in maritime / transport law practice of the "Egorov, Puginsky, Afanasiev & Partners" company with a report on cybercrime in the shipping industry.





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Imad Elias, Managing Director “Elias & Co”, with consideration of the so-called wave effect and examples from the practice of working with closed ports of Northern Cyprus.

The final session of the conference was devoted to the problems of security and insurance. In the framework of the session reports were made by:

Alexander Abuzyarov, “Marine Underwriting Services” CEO: “Advantages of co-insurance of ships”.

Vitaly Plugatyr, “SEAMES” company development director: “Minimization of risks and losses in maritime transport with the help of survey services”.

Gleb Klimakov, “Erne S&P Ltd” company owner: “Digital solutions in shipping”.

The business part of the Russian Maritime Days program was moderated by professor Alexander Kirichenko, director of International Transport Management Institute at GUMRF named after admiral S. O. Makarov.

Delegates of Russian Maritime Days 2019 expressed a desire to meet on the banks of the Neva river annually to discuss significant events in the industry, establish new business contacts and analyze problems, results and prospects of the market.

For the conference participation were invited: shipowners, fleet operators, brokers and marine agents, feeder companies, ports, terminals, stevedoring, transport and logistics companies, cargo owners, traders, surveyors, industry experts and analysts, insurance and legal companies, bankers, media representatives.

Among the participating companies:

SUEK, RusChemTrade, GAC Shipping SA (Greece), PRIME SHIPPING, North-Western Shipping Company, Ships&People, SREDNE-NEVSKY SHIPYARD, The Korsakov sea trade port, Novaport Agency, Sibanthracite, Marinex Its, Asket Shipping Azov, Erne S&P Ltd, Economu Shipping, COTECNA INSPECTION (EAST), PCC Trade & Services GmbH and many other Russian and foreign companies.



Program of the conference

09.00-10.00 Participants registration



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Session I. Main trends in the shipping market

Marine Engineering Bureau report

The state of the merchant fleet in Russia and Ukraine, the prospects for its renewal
Egorov Gennadiy, CEO

«KALINKA SHIPPING» report

Sea and river transportation of oil and oil products: results of 2018 and forecast for 2019
Dolgikh Evgeny, owner

Morstroytechnology report

Trends and problems of infrastructure development for bulk cargo export in Russia
Goloviznin Alexander, director of analytics and logistics

11.30-12.00 coffee-break

Session II. Marine risks

LF «Remedy» report

Risks associated with shipping in the Black sea, recent trends
Suprunenko Andrey, Director
Kosmachevskiy Nikita, senior lawyer

LO «Egorov, Puginsky, Afanasiev and partners» report

Cybercrime in the shipping industry
Karchemov Alexey, senior associate in maritime/transport law practice

«Elias & Co» report

The Ripple Effect: Closed ports of Northern Cyprus - The Arab Boycott - Examples from practice
Imad Elias, managing director

13.00-14.00 Lunch

Session III. Main trends in the shipping market

«KALINKA SHIPPING» report

Russian bunker market-2018\2019: main trends
/the speaker clarifies/

SEA LINES report

Azov-Black sea region freight market conditions
Kulikov Alexander, CEO

SRC «Arctic and Antarctic research Institute» report

Hydrometeorological support of marine activities in the Arctic
Brestkin Sergey, head of ice center

15.00-15.30 coffee-break

Session IV. Security problems and insurance

«Marine Underwriting Services» report

Ships co-insurance advantages
Abuzyarov Alexander, CEO

PMC «RSB-Group» report

Services of armed escort and protection of ships. Comparison of Russian and European experience
Krinityn Oleg, manager

Group-IB report

Marine industry IT-security
/the speaker clarifies/

«SEAMES» report

Risks and losses minimization in maritime transport with the help of survey services
Plugatyr Vitaly, development director



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Thematic partner:

Marine Underwriting Services

International information partner:

TransportWeekly

Official industry partner:

RZD-Partner

Information partners:

magazines – The Baltic Course, Engineer and industrialist, Logistika, Container business,
news agencies – Korabel.ru, Logirus, Seanews, information portals - Transinfo.by,
Logistics.ru, Loglink.ru, VED-Consulting and others.

Press service of the Russian Maritime Days organizing committee

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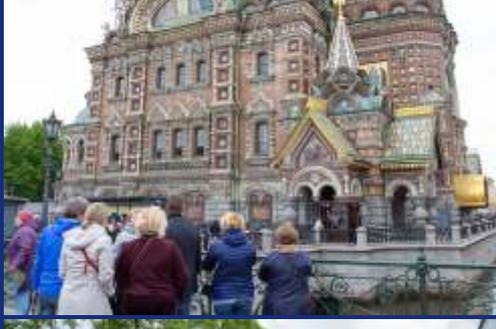














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