



Sulfur directive impact on terminals in Baltic sea region

Some current reflections

**Container Finance Ltd Oy
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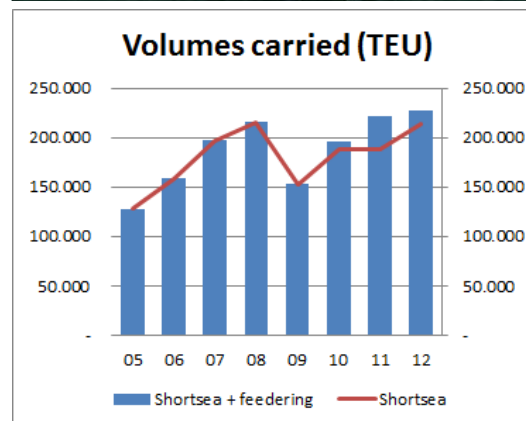
CONTAINER FINANCE

- **A Finnish family-owned company, founded in 1966**
- **The Group turnover about 220 MEUR in 2012**
- **Headquartered in Helsinki, subsidiaries in 23 countries**
- **Main areas of business**
 - Door-to-door container transportation & shipping
 - Containerships Ltd Oy
 - Port and terminal operations
 - Multi-Link Terminals Ltd Oy:n ports in Helsinki, Kotka and St Petersburg
 - The Yanino Logistics Park inland terminal in St Petersburg
 - Joint venture with GPI (Global Ports Investments)
 - Container storage and handling and related value added services
 - Container-Depot Ltd Oy
 - Joint venture with GPI



Business description – key milestones

1966	Containerships established by Mr. Veli Nordström and his UK partner.
1985-1990	Expansion to intra-European container market
1990-1994	Strengthening position in Russian market by opening own offices in St. Petersburg and Moscow
2007	Acquisition of the Lithuanian shipping company Kursiu Linija.
2008	Start of Ghent terminal operations
2009	Acquisition of Contaz Lines of Turkey
2012	Customs clearance in Russia added to portfolio
2013	Opening of own office in Kioiv, Ukraine

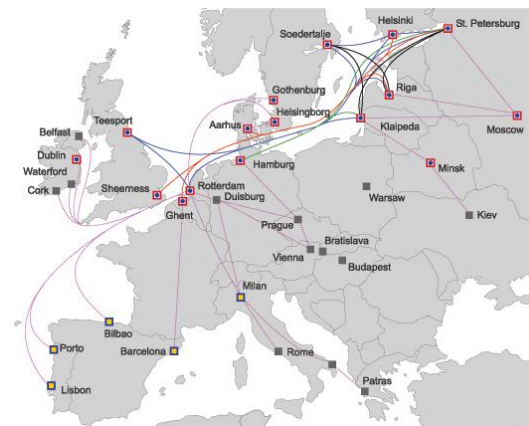


Volumes of continued activities

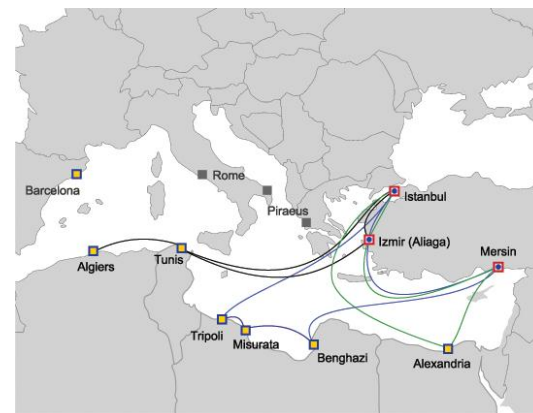


Business description

- ❑ Containerships is a logistics company focusing on using containers and sea-going vessels to carry its customers' goods from door-to-door, i.e. from shippers' factories to receivers' warehouses.
- ❑ This type of service is referred to as **short sea shipping** in the industry
- ❑ River-going barges, railways and road trucks are used as intermediary means to transport containers between inland origins / destinations and loading / discharging ports
- ❑ The geographic coverage of Containerships is divided into 2 areas:
 - ✓ Transportation between West/South and East/North Europe (*map 1*)
 - ✓ Transportation within the Mediterranean (*map 2*)



Map 1: European transport network

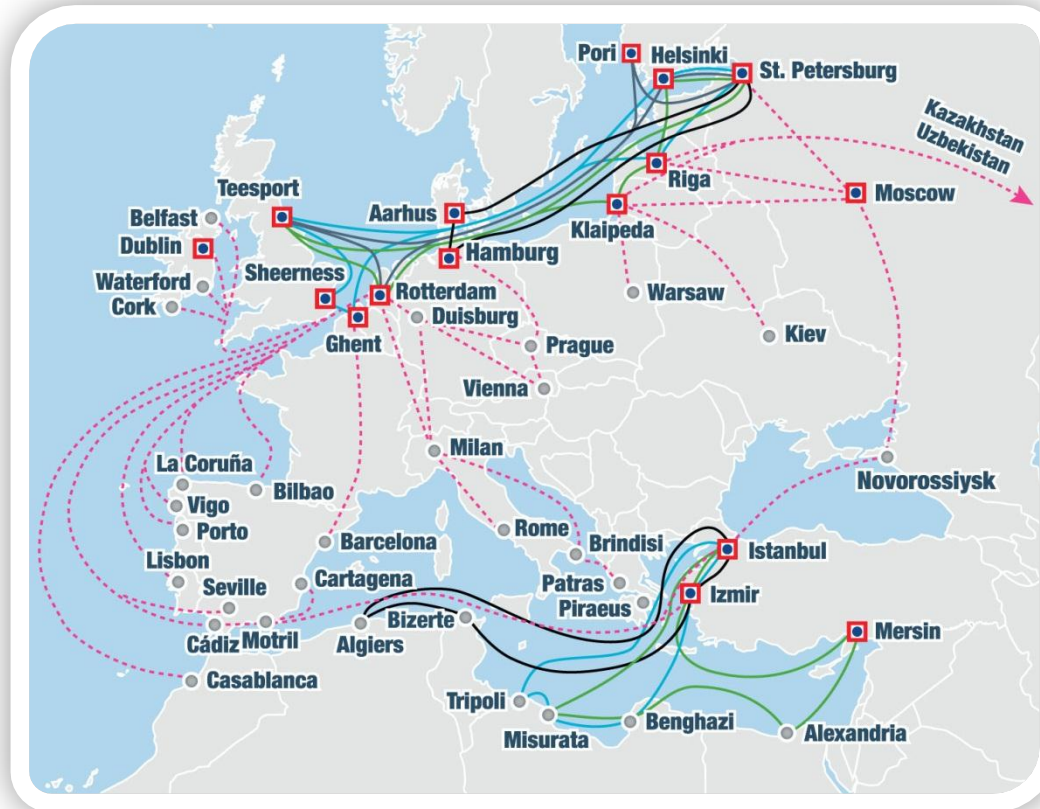


Map 2: Mediterranean transport network



SERVICE NETWORK

Your gateway to international shipping



■ offices ● agencies

International Maritime Organisation (IMO) regulations on sulphur

- ❑ Tight regulations of sulphur in fuel or equivalent (Sox) emissions will be implemented from
 - ❑ 2015: 0.1% in Sulphur Emissions Control Areas (SECA) – in North Europe and North America
 - ❑ 2020 (or 2025): 0.5% globally
- ❑ Applies to both new buildings and existing ships

The Finnish export industry expects a transport cost increase of 500 M€/a due to sulphur legislation.

SECA

A map of Europe and the North Atlantic region. A red arrow points from the text 'SECA' to a dark grey shaded area in the North Atlantic, representing the Sulphur Emissions Control Area. The rest of the map is in light grey.

Possible solutions for ship fuel 2015

OPTIONS	TECHNOLOGY	POSITIVES	NEGATIVES
1. Marine Gas Oil (MGO)	'Normal' diesel oil	<ul style="list-style-type: none"> • No modifications to vessels needed 	<ul style="list-style-type: none"> • Running cost 50% more expensive than HFO or LNG • ~500 M€ for industry
2. Scrubber with Heavy Fuel Oil (HFO)	'Wash' SOx emissions from exhaust gases	<ul style="list-style-type: none"> • Relatively easy solution • Can be retrofitted 	<ul style="list-style-type: none"> • Implementation cost: 3-6 M€ / vessel • Not yet proven technology • Doesn't fulfil future NOx legislation
3. Liquefied Natural Gas (LNG)	Use LNG as a fuel	<ul style="list-style-type: none"> • No price diff to HFO • Environmental friendly • Future potential benefit from emission trading • Tackling also future legislation needs, CO₂, NO 	<ul style="list-style-type: none"> • Infrastructure only building up
4. Alternative fuels (methanol, biofuels)	Utilise next generation fuels	<ul style="list-style-type: none"> • 'Clean' from environmental perspective 	<ul style="list-style-type: none"> • Large-scale technology not yet in place • Availability?



Other possibilities

- **Slow Steaming**
 - 18 knots -- > 15 knots creates fuel saving of 15%
 - Need for more vessels
- **Bigger vessels and less ports**
 - Less frequency -- > port optimisation
 - Ice Classed vessels >1400 TEU not available
- **Terminal efficiency improvement**
 - Need for fast turn-a-round
- **All actions targetted to cut slot costs**
 - Strong pressure on terminal and charter prices
- **Ultimately price increases for shippers**
 - Market is already very competitive
 - Seafreight increase pressure upto 50%



Baltic Sea volumes are Russian driven

- Russia has been the volume driver for Baltic sea
- Russian ports have gained majority of volumes, less transshipments through Baltic and Finnish ports
- Since 2010 several infrastructure projects re-activated
 - Roads ; KAD, Western Diameter, St.P - Mow
 - Port Terminals ; St.Petersburg Container terminal (MSC), Ust Luga, Bronka, PLP expansion
 - Inland Terminals; Yanino, Sushare, Modul, Severnie Vorota,
- The Russian Customs legislation and processes
 - Simplified procedures for inland terminals created
 - Borders of the big port of St.P
 - Finnish – Russian border not congested
- Road transport capacity
 - Has been adequate
 - No lack of rail cars



Near future outlook for Finland and the Baltics

The Finnish and Baltic traffic is extremely reactive to changes in economy.

▪ The Gulf of Finland port capacity has increased

- Russian ports are the preferred destination for cargo - Finnish and Baltic ports are reserves
- The Baltics still suffer from border problems with Russia
- Baltics containerized cargo flows increasing

▪ Containerization continues to increase

- Far east supplies
- Bulk cargo goes to containers
- Cargo is increasingly in imbalance, Finland and Baltics are source for exports

▪ Sulphur directive and low seafreights

- Upto 16.000 TEU over seas vessels drive slowly to ice-free shortsea hubs and optimize feedering e.g.
 - MAERSK Gdansk and Gothenburg -Baltic hub
 - Concentration of cargo flows by road, rail and sea to these hubs



Environmental issues

▪ Shipping is still by far the most environmental way to carry cargoes calculated in emissions / km

- Emission restrictions on ships, low sulfur fuel
- Unfortunately, recession tends to undermine the importance and implementation of environmental issues
 - Vessels and machinery get old and there is no money for new investment that meet the modern environmental criteria

▪ The traffic in the Baltic Sea is constantly increasing

- More traffic requires increased surveillance
- Accident avoidance – VTS to be put into focus

▪ Intermodal transport

- Intermodal Russian transport network (St.P as a base)
- Intermodal border crossing traffic (Finland – Russia or v.v.)

▪ Support for infrastructure projects is needed



Challenges and solutions by Containerships

▪ Challenges

- Mitigate sulfur cost impact to shippers and receivers
- Maintain service level and frequency
- Maintain growth and profitability

▪ Solutions

- Traditional means
 - Optimize route network
 - Optimize sailing schedules
 - Improve port efficiency
 - Minimize fuel burn

New possibilities:

- **Alternative fuels**
- **New technology ships**



THANK YOU.

Q&A



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