



The President of Louis Dreyfus Armateurs S.A., Philippe Louis-Dreyfus, elaborates on the main challenges currently facing the shipping industry, from environmental regulations and technological uncertainties to concerns about the industry's public image.

EUROPEAN SHIPOWNERS TRYING TO CHART THE FUTURE OF SHIPPING

Philippe Louis-Dreyfus,
President of Louis
Dreyfus Armateurs S.A.
and former President
of ECSA & BIMCO

talks to
Giannis Theodoropoulos

1 In light of the current surge in environmental regulations in the shipping industry at a time when all available technological solutions have uncertain results, you have frequently advocated speed reduction to minimise shipping's carbon footprint. Why do you think such a proposal is not being heard by international legislators even though it can be implemented immediately and have definite results?

For many years now, I have been advocating speed limitation as an obvious solution for reducing maritime emissions. This idea is easy to understand - all car drivers are aware of it; speed limitation carries no substantial cost and is immediately efficient. Normally, it should also be easy to implement. However, as you have mentioned, it has faced criticism, if not outright opposition, much of which is irrelevant.

I have always emphasised that speed limitation should be applied to bulk transportation, leaving out ferries and liner services, for which speed is

considered of high importance. In any case, bulk/tramp shipping alone accounts for over 70% of world shipping. Nevertheless, some shipowners in the ferry or liner business still felt worried and did not support the idea in the beginning.

Also, any such measure should not only apply to France or Europe but worldwide and must be decided and implemented by the IMO, which unfortunately could not garner a majority for such a decision. That really came as a surprise.

Lastly, I am not convinced that everyone in the maritime cluster favours such a measure. Clients and charterers, who often have a short-term perspective, see more problems than advantages in speed reduction. There is also a lot of profit to be made from discovering the most appropriate fuel and the most efficient engine or ship design, even though these are neither immediately efficient nor the most economical solutions.

All of this is deeply disappointing. However, the new regulations on shipping are stringent enough to make speed reduction the only possible solution until new technologies become available.



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- ② **You recently mentioned that one of the major risks for shipping is not effectively communicating its contribution to the global economy. In your opinion, what is causing this looming risk, and what steps can the shipping industry take to improve its public image?**

As President of ECSA and BIMCO, I was faced with the issue of the public image of shipping.

We are all well aware of our contribution to the world, the economy, and the people. But here is the risk: being too sure of our value can sometimes make us a little arrogant and not keen to explain! We do not understand that the good image we have of ourselves as an industry is not always shared by the public and, hence, politicians. In fact, our once positive or, at worst, neutral image seems to have deteriorated over the past decade. In a few words, we are currently facing four different issues.

To begin with, as far as the environment is concerned, we used to be seen as more of a solution than a problem. However, this has changed over the past years, and it is partially our fault; we have been dragging our feet a little too much when we should have been more proactive. This was one of my biggest fights when I was at the helm of ECSA and BIMCO.

Secondly, in terms of macroeconomics, the volatility of freight rates and their massive increase in the post-COVID years have led to us being perceived as responsible for inflation and the increase in the cost of goods. The large profits made by some shipping companies certainly have not helped! Moreover, as far as politics go, some European shipowners have, rightly or wrongly, faced criticism for not always adhering to the European decisions concerning the war in Ukraine.

Finally, in terms of work relations, a number of shipowners do not seem to be treating their crews with the respect and consideration they deserve. Social dumping is not only unacceptable but also a danger to our image.

All these reasons have contributed to the deteriorating image of our industry in the last few years. The public, the consumers, and the people reading newspapers see us more as profiteers than

providers. That may very well have an impact on politicians, who will think twice before deciding to maintain the state aid guidelines and the tonnage tax, which are essential to our activity.

- ③ **What are the main challenges faced by the French shipping industry?**

Similarly to our fellow European shipowners, our main challenges are, firstly, financing our decarbonisation targets, as our decarbonisation pace will be determined by the financial means available; therefore, directing ETS funding towards the decarbonisation of shipping is a must. The next challenge is preserving our social model. Social dumping is a threat that jeopardises the very nature of our industry, as well as its main preservation instrument, i.e., the EU state aid guidelines, which allow the EU shipping industry to maintain its competitiveness amongst world competitors. Consequently, as I have already mentioned, we need to ensure that our EU State Aid guidelines, and especially the tonnage tax, will be maintained. It is also imperative that we adapt our educational system to new shipping challenges, such as new fuels, shipping digitalisation, etc. Last but not least, there is a lot of complementarity between French and Greek shipping, not only in terms of shipping activities but also on a political level, particularly in Brussels, where we can make the voice of shipping heard.

- ④ **One of the most significant challenges shipping companies face when adopting and using new technologies and fuels is the lack of funding. How can this funding gap be filled? Have you detected any differences in shipping finance compared to previous years?**

Shipping is clearly a capital-intensive activity. Raising funds for our ships has always been a challenge, for some more than others. Nevertheless, globally, it was never a real issue for the profession. Almost everybody could be financed at 90%, 70%, or 50%, with margins from 0.5% up to 3% or 4%.

This is not true anymore. The quality of the borrower and the ship itself is still



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important, but the availability of funds for a certain type of activity has become decisive. In the last ten years, shipping finance has entered a completely new “ecosystem.”

The credit crunch started after 2010, triggered by the 2007-2010 subprime crisis. Then came the new “Basel 4” regulations for banks, further reducing their interest in shipping and causing a rise in financing from Chinese banks.

Today, priority is given to green projects, posing challenges for shipowners who need finance, especially if they are handling “classic” cargos in modern - but definitely not green—ships. In the meantime, the future of green shipping, green ships, and green fuels is ambiguous. When will they be available? What will their price and cost be? Both shipowners and banks are faced with difficult decisions and risks prior to making any investment.

It is certain, however, that the cost of transporting goods will rise and then be passed on to clients and, ultimately, consumers, which means it will be the end consumers who will have to pay the cost of decarbonisation. This fact is not being clearly stated!

Regarding the finance issue, we must fight hard to ensure that any funds raised from taxes paid by the shipping industry will be used to finance its fuel transition.

5 Your company is investing in innovative projects to reduce its fleet’s environmental footprint. What do you believe to be the most viable solution for the future of shipping?

It is very hard to predict, as no one knows what the future will bring and at what pace it will happen. But there are some principles we can have in mind to prepare for our fuel transition in due course: e-fuels (or any other decarbonised fuel) will be much more expensive, even when massively produced, as economies of scale will never offset the price difference with standard diesel oil. And, again, it is the end customers who will pay for them. Therefore, the success of our decarbonisation will depend primarily on social acceptance and the willingness of customers to pay more for maritime transport. Also, besides being produced, decarbonised fuels must be made available worldwide, which will not happen overnight! Sail propulsion and every other innovation will be helpful, but it will never entirely replace fuel propulsion, given the need to carry eleven billion tons of cargo every year.

6 One of the major challenges in shipping’s green and digital transition is the acquisition of the necessary skills not only by seafarers but also by onshore staff. How can the European shipping industry promote the reskilling and upskilling of its workforce while simultaneously attracting new professionals?

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I believe that we, as shipowners, need to portray our businesses in a much brighter, more transparent, and appealing light. In my view, investing a lot more energy, time, and money is essential to restore our image and demonstrate our significance to the economy.