



Leadership Insights

Insights from the global leadership community

Issue no: 32 | July/August 2024

Decision Maker - Lam Sai-hung

Bold plans for future growth

p2

News Analysis

Aviation facing challenges for future fuels

p5

ICS in action

New hydrogen demand report unveils once in a generation opportunity

ICS Secretary General Guy Platten honoured with WISTA Man of the Year Award

ICS Publications announces the launch of two new guides

Upcoming events

p8

Fortune favours the brave

Lam Sai-hung, Secretary for Transport and Logistics, Government of Hong Kong, discusses plans to maintain competitive advantage in a fast-changing world.





Bold plans for future growth

Mr Lam Sai-hung, Secretary for Transport and Logistics, speaks to *ICS Leadership Insights* about his plans to keep Hong Kong a leader in aviation, maritime and logistics in an ever-competitive world

Q You have held your role as the Secretary for Transport and Logistics since 2022 – what have been some of your key challenges and successes during this time in this Bureau?

A Hong Kong, like other cities in the world, is facing competition both in our region but also internationally, when it comes to the global industries of aviation and maritime. We need to be brave, we need to be proactive and we need to be forward looking.

We are a busy team with a portfolio that covers internal and external transport, including for aviation, rail, maritime transport, cargo ports and logistics. But taking aviation as an example, we only opened our borders post-COVID in January last year as recovery for Hong Kong has been slower, when compared to other parts of the world. Despite this we have recovered quickly. Both passenger traffic and flight movements during the peak travel season have returned

to 80% of the pre-pandemic levels, and passenger traffic is expected to fully recover to pre-pandemic levels by the end of this year. For cargo traffic movement we still maintain our number one position in the world, which we've held for 13 out of the past 14 years. Our ambition is to keep this position, but competition is always high.

Q Can you go into more detail on your plans to boost aviation freight cargo?

A To remain competitive with neighbouring cities regarding air freight, we are developing the Three-Runway System at Hong Kong International Airport (HKIA). This should increase the cargo handling capacity to 10 million tonnes from 2035 onwards.

If the capacity is not the problem, it instead becomes, where can I get the cargo? We have to use our extensive air network, reaching some 180 destinations - that is our asset. As is our International Air Transport Association (IATA) certification to handle temperature-controlled air cargo for pharmaceuticals, fresh produce, live animals, and lithium batteries. This is a strength we have to rely heavily on - no matter what people want to deliver we should be able to do that.

We are also developing a sea-air intermodal cargo transshipment mode and setting up a logistics park across the border in Dongguan. Under this mode, export cargo from the Mainland can go through security screening, palletisation and cargo acceptance in advance in the upstream logistics park. It will then be transported by sea to the airside of HKIA seamlessly for direct air transshipment to overseas destinations, without the need to undergo security screening again at HKIA, thereby further enhancing the time efficiency and cost effectiveness.

Q How does maritime factor into Hong Kong's plans for future growth?

A The maritime and port industry is an important component of Hong Kong's economy and facilitates the growth of its logistics industry, one of the most significant four pillar industries for us. In late 2023 we completed a 'health check' for our maritime business and logistics areas and have developed two action plans. For shipping, a core focus will include the development of Hong Kong as a green and smart port, as well as developing high value-added maritime services and strengthening and promoting talent. We expect in following these action plans we will maintain Hong Kong's status as a key international maritime centre and premiere logistics hub.

Q What do your plans for green and smart ports entail?

A. Our port offers a number of advantages in the region as we are a free port, have fast custom clearance and are the only area inside China that practises common law. But we acknowledge we are also more expensive than some due to our high living standards and costs and salaries. We knew we must make our ports attractive and competitive, and this means developing plans for green and digital ports.

For our green plans, we are proactively facilitating the provision of LNG bunkering services to serve ships that will be using this interim fuel. We aim to commence towards the end of this year or beginning of next year. We are also developing plans to be able to provide bunkering services for next generation fuels, such as methanol and ammonia.

Q We have seen the impact geopolitics has had on shifting trade routes in recent years and a greater use of transshipment hubs. How are you seeing this impact on Hong Kong? Particularly as mainland China increases its exports.

A Hong Kong has been a premier logistics hub in the region. In the past, Mainland China was less experienced in international trading so Hong Kong has been the gateway for manufactured goods to be exported to the rest of the world from the Mainland.

The Mainland has since learned and developed fast. However, Hong Kong is part of the Greater Bay Area (GBA), which, comprising nine mega cities of Guangdong province as well as the Special Administrative Region (SAR) of Macao, is regarded as one of the economic powerhouses that propels China's economy (the other being the Yangtze River). As part of this, we have access to a huge market with a population of more than 86 million and a lot of key manufacturing bases just adjacent to Hong Kong. It creates major opportunities and logistics demand that our cargo ports and airports can serve, which can further consolidate and enhance Hong Kong's status as the premium logistics hub in the region.

Both the government and industry have to work hand-in-hand. Many of our logistics companies are SMEs, and sometimes they wish to expand but may find bottlenecks due to a lack of investment or vision. We, the government, must provide support to them. We do this with match funding to help them become modern, digitalised logistics firms to help them meet the changing prospects in front of us. This includes e-commerce, with its emphasis on speed and efficiency - something Hong Kong is already known for but is building on for future demands. There is an old-fashioned idea of logistics as moving something from A to B. It is no longer as simple as that. Today, there is a demand for traceability and digital data transfer.

We also provide training and subsidies to our logistics sector to meet the prevailing demand for ESG in the market. As everywhere in the world, we are also looking for talent and the [right skills](#).





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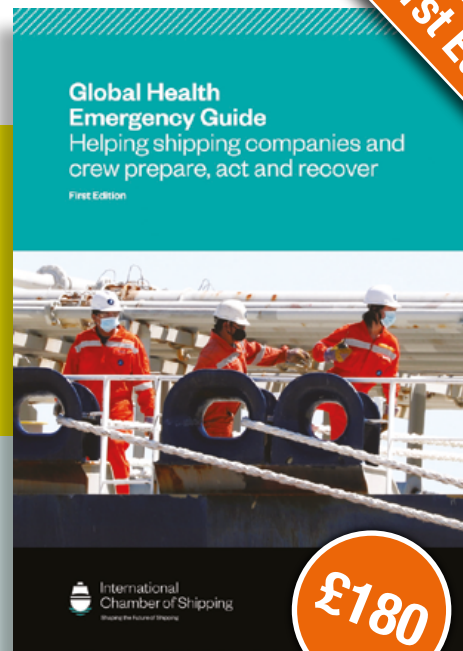
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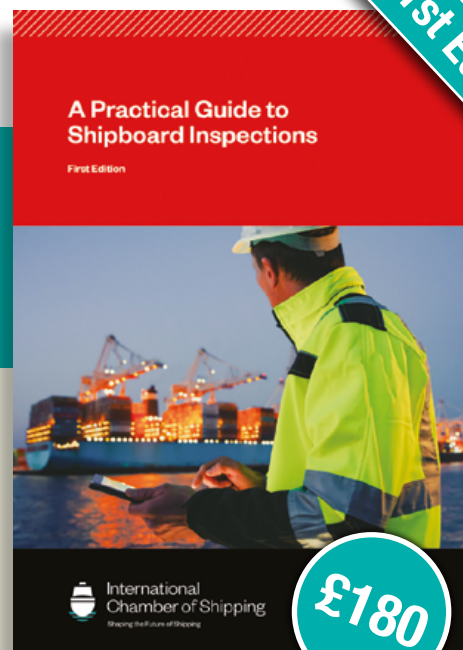
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Aviation faces capital and infrastructure challenges for future fuels

The aviation industry is encountering familiar challenges in its decarbonisation transition as the sector seeks to cut its greenhouse gas (GHG) emissions to net zero.

The International Civil Aviation Organization (ICAO) set an aspirational goal in 2022 of reaching net-zero carbon emissions from international aviation by 2050. While the maritime industry is expected to pursue a multi-fuel path to its own net-zero 2050 target, sustainable aviation fuels (SAFs) play a dominant role in forecasts of aviation's trajectory.

SAFs are non-fossil alternatives to kerosene jet fuel, including biofuels and e-fuels. According to Sustainable Aviation's Net Zero Carbon Road-Map, 39% of the emissions abatement in UK aviation by 2050 will be attributable to SAFs. The next largest contributor, fleet upgrades with future aircraft types including those powered by hydrogen and electricity, accounts for 16%.

Feedstock availability will be a critical factor in meeting the need for biofuels in aviation and shipping, with the Interna-

tional Energy Agency (IEA) stating that realising growth in SAFs in the medium term will hinge on feedstock diversification and enlargement through land productivity and residue collection.

Adam Tozzi, Head of Underwriting Global Tasks and Processes, Aviation at Allianz Global Corporate & Specialty (AGCS), told *ICS Leadership Insights*: "The biggest hurdles for the adoption of SAF are not regulatory, instead they are within the production and supply chains. Additionally, the necessary capital expenditure needed for SAF infrastructure is not forthcoming outside of the major hubs."

Alongside developing more efficient engines, Original Equipment Manufacturers (OEMs) such as GE Aerospace and Rolls Royce are focused on assessing the compatibility of existing engines with SAFs, evaluating any technical issues aris-

ing from using equipment with 100% SAFs and sharing results under a working group for the International Aerospace Environmental Group (IAEG).

The effort mirrors that underway in the maritime industry, where individual trials of 100% biofuel and various biofuel blends have been carried out for marine engines, and guidance for their use has been issued by propulsion machinery non-profit CIMAC.

Major hurdles ahead

Brandon Fried, Executive Director of the US Airforwarders Association said among the “significant challenges” in adopting SAF are “regulatory inconsistencies across countries, from production to transportation”, that hinder smooth operations.

Tozzi pointed to the ReFuelEU Aviation regulation, US Sustainable Skies Act and UK SAF mandate as regulatory support for SAF. As shipping awaits the final details of the International Maritime Organization’s (IMO) GHG mid-term measures, set to be agreed next year, aviation demonstrates the challenges that remain once regulation is in place.

Looking at a national level, Vineet Malhotra, Director of Kale Logistics Solutions, a Mumbai-based digital logistics provider for the air cargo sector, noted that progress with Indian airlines, while slow, is being driven by government’s targets for all domestic commercial flights to achieve 1% of flights to run on SAF by 2025. This would require around 140 million litres of SAF production per year.

Kale Logistics Solutions has worked closely with a number of national airlines and Malhotra shared insights into their moves with SAF. GMR Airports India, he told ICS *Leadership Insights*, has forged “strategic alliances” to push forward production of SAF in the country. Meanwhile Delhi Airport is focused on creating the necessary infrastructure, “setting the stage” for other airports including GMR Hyderabad and Goa International airports to adopt SAF.

Malhotra stressed the process requires “meticulous planning” to address critical issues including selecting the most suitable biomass feedstock for SAF production.

As yet, “only a few” airports in India have a consistent supply of SAF, said Malhotra, noting similar issues other country’s face of limited production as well as the cost of



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distribution and transportation. Availability of blending facilities and quality control at airports are also challenges. Furthermore, there remains uncertainty around the role of airports and the necessary infrastructure for the transition, “adding further woes”, he explained.

However, he is confident that, for India at least, supply woes will be limited, noting it currently has the capacity to produce double its projected requirements to meet government targets.

Supply limitations

In Europe, when it comes to quality, the European Union Aviation Safety Agency (EASA) plays an active role in the monitoring and facilitating SAF adoption. Its 2022 report showed SAF accounted for 0.05% of aviation fuel use in the bloc, with a 2% target for 2025.

A spokesperson for EASA told ICS *Leadership Insights* that fuel suppliers are mandated to achieve a 2% of SAFS in EU airports by 2025. Despite the fact that global SAF production has doubled from 300 million litres in 2022 to 600 litres in 2023, with production projected to triple this year, this still accounts for only 0.53% of global aviation fuel needs, they explained.

In line with the figures quoted by EASA, Fried also stressed that a key challenge to widespread adoption was limited supply. Painting a picture of shipping’s own possible future challenges with new fuels, he explained that inadequate infrastructure for the handling and storage of SAF further complicates matters.

He added that safety concerns for the fuel include potential differences in properties when compared to traditional jet fuel that

require “careful consideration and specialised handling procedures”. While international safety standards like ASTM D7566 exist for SAF, Malhotra said “the adoption and enforcement of these standards can differ by country”.

Additionally, the higher cost of SAF compared to conventional fuel presents an economic barrier to widespread adoption, said Fried.

Warning signs

Maritime should pay close attention to the ongoing challenges of the adoption of SAF, with many of the issues currently being experienced, and resolved, by airlines, governments and airports, as well as fuel producers, likely to echo that of maritime’s future fuels trajectory.

Maritime leaders should also note the potential competition that airlines may pose for sourcing shipping’s own alternative fuels – as SAF is not the only option. While not yet on a wide scale, start-ups and established OEMs alike are also investigating the potential of zero-emissions fuels like hydrogen and battery power as a means of propelling aircraft.

The tight weight and space limits onboard an aircraft and the power requirements of flight necessitate high power density from energy sources. However, these alternatives are not yet taking off, with firms like hydrogen fuel cell developer Universal Hydrogen, shutting its doors just a year after it launched in 2023 when it failed to attract new investors.

“Perhaps we couldn’t convince the world that hydrogen, and not just SAF, are necessary for the future of aviation,” said Universal [Hydrogen co-founder Jon Gordon](#).



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ICS in Action

A round-up of ICS news and activities over the last month

New hydrogen demand report unveils once in a generation opportunity

The International Chamber of Shipping (ICS) presents a new report – [Turning hydrogen demand into reality: Which sectors come first?](#) – written by Professor Stefan Ulreich, Professor of Energy Economics at Biberach University of Applied Sciences, Germany, identifying hydrogen demand sectors, demand locations and the demand-pull timeline.

The ground-breaking [report](#) focuses on the potential of clean hydrogen to function as an energy carrier and feedstock to decarbonise multiple sectors, especially hard to abate sectors. The report identifies that to meet future hydrogen demand, the scale of renewable electricity demand for green hydrogen production is unprecedented and leads to once-in-a-generation opportunities and challenges.

The [report](#) seeks to better assess the future supply and demand dynamics of the new zero emission fuels that industrial sectors, including shipping, will use in the [coming decades](#).

ICS Secretary General Guy Platten honoured with WISTA Man of the Year Award

ICS is pleased to announce that Guy Platten, Secretary General of ICS, has been awarded the prestigious Man of the Year Award by the Women's International Shipping & Trading Association, UK (WISTA, UK).

The award ceremony was the flagship event of WISTA's 50 Years Summer Celebration, which took place at the International Maritime Organization (IMO) headquarters in London. The awards were presented by IMO Secretary General, Mr. Arsenio Dominguez, and President of WISTA UK, Monica Kohli.

This esteemed award celebrates Guy Platten's unwavering commitment to advancing gender diversity and inclusion

within the maritime industry. Under Guy's leadership, ICS has made significant efforts to help create a sustainable and wholly inclusive [maritime sector](#).

ICS Publications announces the launch of two new guides

The International Chamber of Shipping (ICS) Publications has launched the '[Global Health Emergency Guide: Helping Shipping Companies Prepare, Act and Recover](#)', a comprehensive resource designed to aid shipping companies and crew in preparing for, responding to, and recovering from global health emergencies.

The guide draws on the critical lessons learned from the Covid-19 pandemic and other global health emergencies that have significantly impacted shipping operations. It sets out a step-by-step action plan that can be seamlessly implemented within a company's safety management system and incorporated into their crisis management plan.

ICS Publications has also released '[A Practical Guide to Shipboard Inspections](#)', a comprehensive guide to implementing a systematic approach to inspections for all ship types. All ship types across the industry are subject to various kinds of inspections—from flag state checking that ships comply with international and national standards to third-party inspections requested by charterers. Preparing for these inspections helps shipping companies ensure their ships navigate the seas safely, on schedule and in a manner that protects the marine environment.

Upcoming events

ICS Secretary General Guy Platten will be speaking at the upcoming [16th Annual Capital Link Shipping & Marine Services Forum](#) in London on the 10 September. Mr Platten will also be providing an opening address at the [Xinde Marine Forum London](#) on 20 September.

ICS is the principal international trade association for merchant shipowners and operators, representing all sectors and trades and over 80% of the world merchant fleet.

For more ICS contacts: www.ics-shipping.org/contact-us/

Contact us International Chamber of Shipping

7th Floor, Walsingham House,
35 Seething Lane, London
EC3N 4AH

+44 (0) 20 7090 1460
info@ics-shipping.org
www.ics-shipping.org

Editorial Intent Communications

Tanya Blake
+44 (0) 7598 025 513
tanya@intentcommunications.co.uk

Namrata Nadkarni
+44 (0) 7598 025 513
namrata@intentcommunications.co.uk

Samira Nadkarni
samira@intentcommunications.co.uk

Gary Howard
gary@garyhoward.co.uk

Paul Levey
paul@intentcommunications.co.uk

**Design and layout
Phil McAllister**
phil@philmcallisterdesign.com
+44 (0) 1273 737481

**Press and Communications
Katerina Dimitropoulos**
+44 (0) 7497 363434

**Sales
Richard Emsley**
richard.emsley@ics-shipping.org
+44 (0) 7730 289459

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