

The Biggest Traffic Jam in History:

The container shipping crisis in 2021 and beyond

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A wrap up of the current market dynamics, drill down into congestion at Southern California ports, and an outlook for the rest of 2021 and into 2022



Agenda

- Who are Platts
- Current state of play in container markets
- Los Angeles/Long Beach port congestion
- What to expect from container markets in 2022
- Questions

Platts – An introduction

We are the leading independent provider of information and benchmark prices for the commodities and energy markets.

Customers at more than 12,000 companies in over 190 countries look to our expertise in news, pricing and analytics to deliver greater transparency and efficiency to markets.



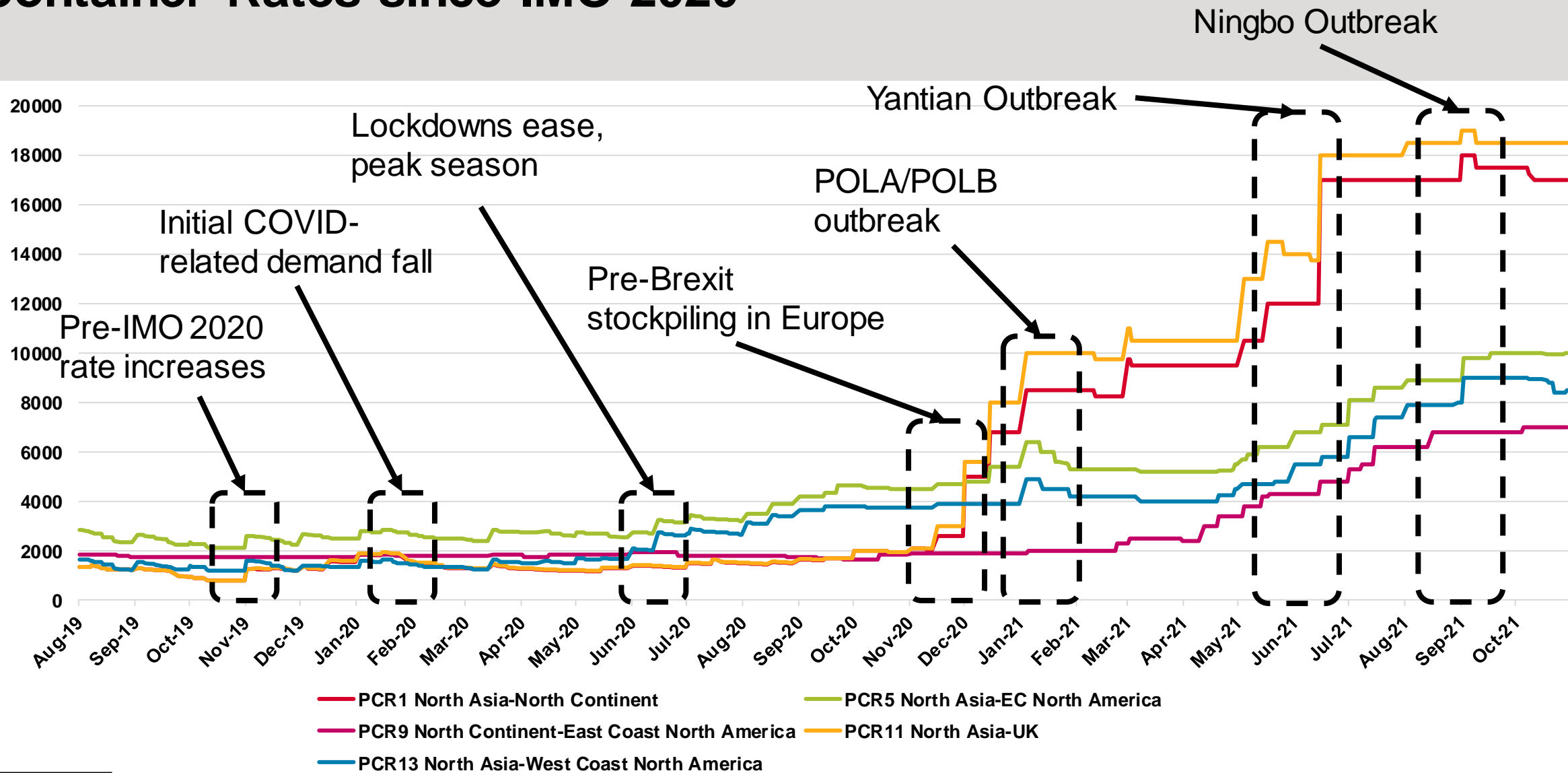
Platts Container Coverage – Container Rates

- PCR1 & 2 North Asia / North Europe
- PCR3 & 4 North Asia / Mediterranean
- PCR11 & 12 North Asia / UK
- PCR5 & 6 North Asia / EC North America
- PCR13 & 14 North Asia / WC North America
- PCR9 & 10 North Europe / EC North America
- PCR23 & 24 Southeast Asia / WC North America
- PCR25 & 26 Southeast Asia / EC North America
- PCR29 & 30 North Asia / WC South America
- PCR31 & 32 North Asia / EC South America
- PCR33 & 34 WC India / Middle East (Nov 2021 Launch)

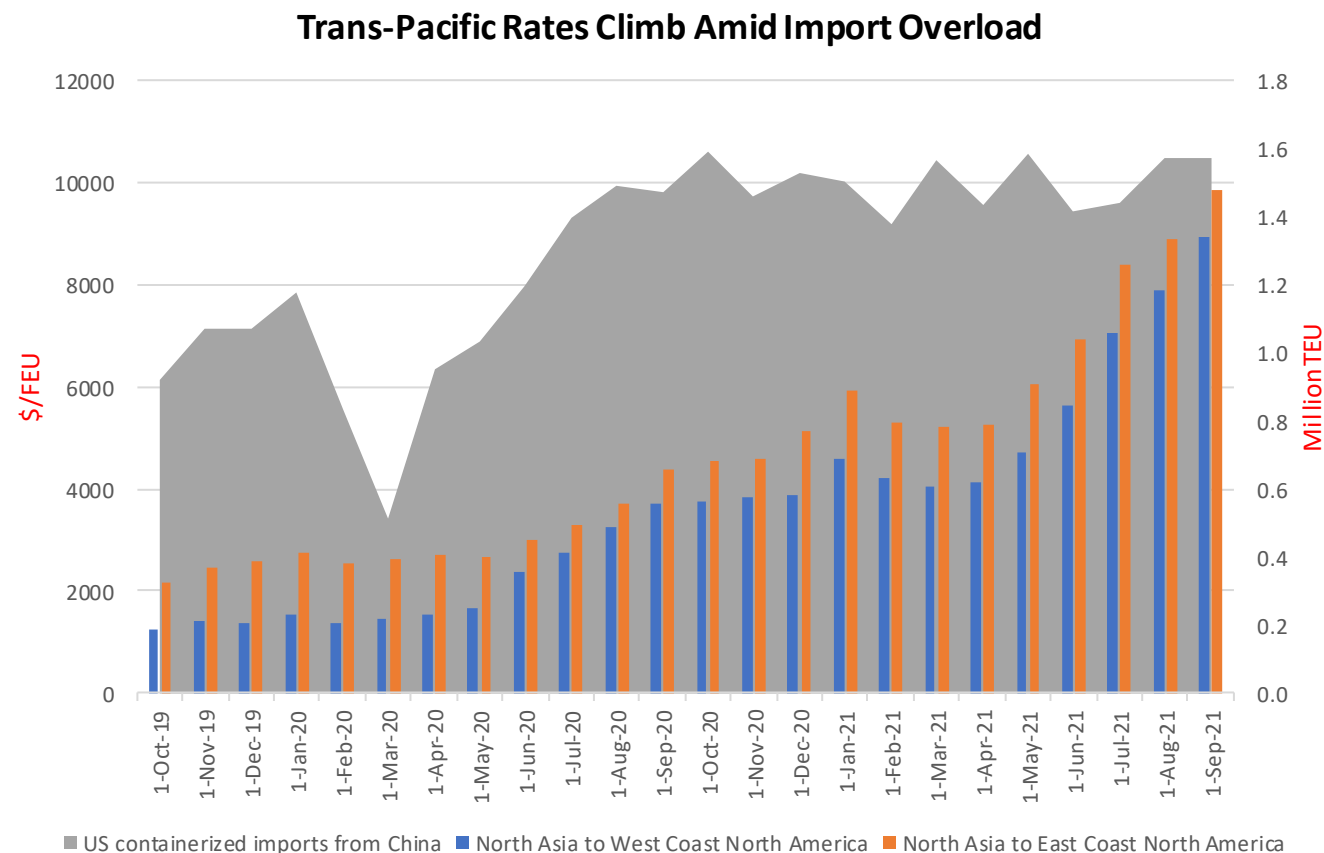
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- Who are Platts
- Current state of play in container markets
- What is the scope of the Platts Container Rates
- What do Platts Container Rates include and exclude
- Questions

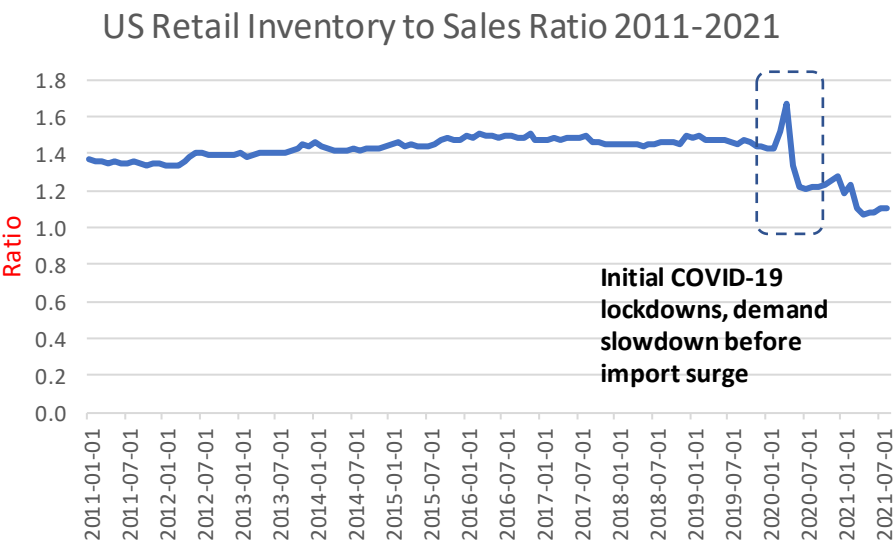
Container Rates since IMO 2020



Trans-Pacific container rates track US import volumes



Source: S&P Global Platts; Panjiva



Source: Federal Reserve

There is still quite a distance to go in terms of restocking warehouses and shelves. Inventory replenishment to support sales growth sustained strong US container import volumes in 2021.

China, world's key exporter, faces container shortages for export

Other regions feel the ripple effect of tight volumes

Origin	ONE	CMA	COSCO	EMC	ZIM	MSC	SM LINE	HAPAG
Qingdao	40'HC shortage	20'GP/40'GP/40'HC/45'HC shortage	20'GP/40'HC shortage	40'HC shortage	40'HC/45'HC shortage	40'GP shortage	Normal	Normal (temporality shortage of 40HQ)
Dalian	Normal	40'HC shortage	20GP shortage	20'GP shortage	Normal	Normal	n/a	Normal
Tianjin	40GP/40'HC shortage	20GP/40'GP/40'HC shortage	40'HC shortage	40'HC shortage	Normal	40'GP shortage	n/a	40'HC shortage
Shanghai	40'HC shortage	40'GP/40'HC shortage	40'HC shortage	40'GP/40'HC shortage	20'GP/40'GP/40'HC shortage	Normal	40'GP/40'HC shortage	40'GP shortage
Ningbo	40'HC shortage/40NOR shortage	40'GP/40'HC shortage /45HC shortage/40NOR shortage	40'HC shortage/40NOR shortage	40'HC shortage	40'HC shortage	Normal	40'GP/40'HC shortage	40'HC shortage
Fuzhou	40'GP/40'HC shortage	20'GP/40'GP/40'HC shortage	40'GP/40'HC/45'HC shortage	20'GP/40'GP/40'H C shortage	40'GP/40'HC shortage	40'GP/40'HC shortage	n/a	40'GP/40'HC shortage
Xiamen	45'HC shortage	40'GP/40'HC/45'HC heavy shortage	Normal	Normal	Normal	40'GP/40'HC shortage	n/a	40'HC shortage and control release
Shenzhen	40'HC shortage	20GP/40GP/40HQ/45HQ serious shortage & All equipment priority for SPG cargo	Normal	40GP/40HQ shortage	40HQ shortage & priority to ZEX service if any shortage	Normal	n/a	40'GP/40'HC shortage & control release
Nansha	40'HC shortage	20GP/40GP/40HQ/45HQ serious shortage & All equipment priority for SPG cargo	Normal	40GP/40HQ shortage	40HQ shortage & priority to ZEX service if any shortage	Normal	n/a	40'GP/40'HC shortage & control release

Source: Worldwide Logistics

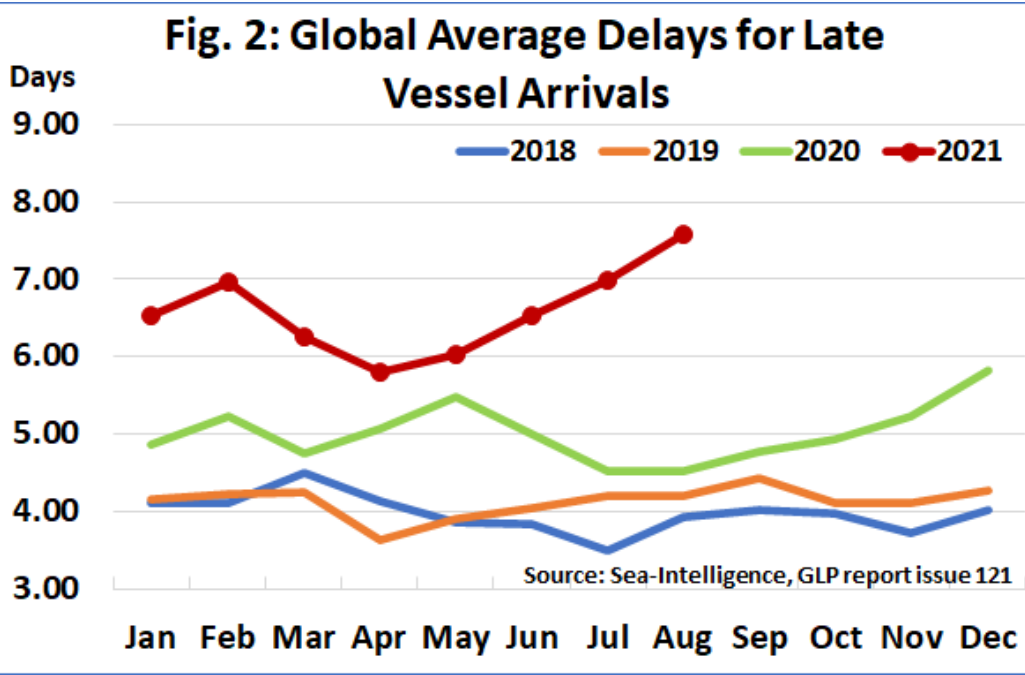
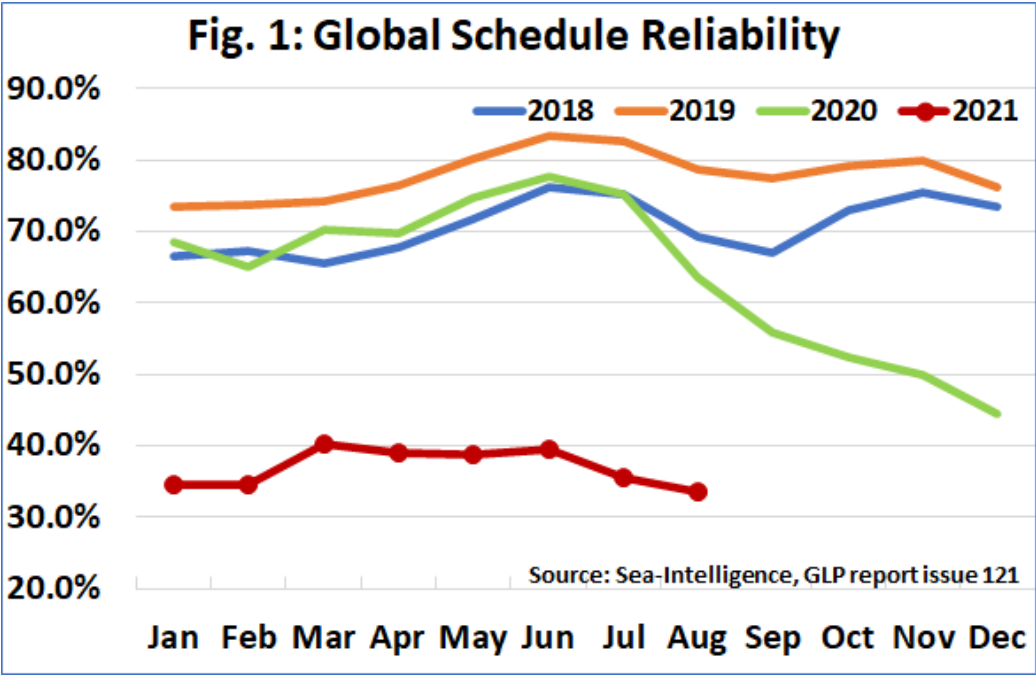
China, as the world's largest exporter, lacks container supply

Carriers deploy maximum capacity in China to support demand

Focus on China leaves other ports in Asia scrambling for boxes (e.g. India, SE Asia)

Freight rate spike for routes from China starts to permeate into other exporting regions too

Schedule reliability continues to decline amid port congestion, cargo rollover, cancelled bookings



Delays still climbing for global shipments despite costs easing

Many importers now eyeing 'just in case' deliveries, rather than 'just in time'

Retailers may miss out on specific shopping peak seasons should cargoes arrive late

Despite premium services and some shippers chartering own vessels, queues still rising at ports

Higher spot freight rates: Emergence of premium loading charges amid container shortage, port congestion

Route	FAK spot rate (Nov 2)	Premium-included rate (Nov 2)
North Asia to East Coast North America	\$10,000/FEU	\$14,000-\$16,000/FEU
North Asia to West Coast North America	\$8,500/FEU	\$10,000-\$12,000/FEU
SEA to East Coast North America	\$12,000/FEU	\$19,000/FEU
SEA to West Coast North America	\$11,000/FEU	\$17,000/FEU

VR: Voluntary Rate Increases start to take hold

- A “premium within a premium”
- Shippers heard bidding rates higher in an auction-like environment to secure space
- Other new charges include premiums paid to skip congested transshipment ports

All-included premium rates on top of FAK range between \$2,000-\$7,000/FEU for long-haul routes

Loading time after paying premiums: 3-5 weeks

Loading time at FAK rates: 4 weeks to “never”

Track premium-included rates with our *Container Premium Weekly Wrap*

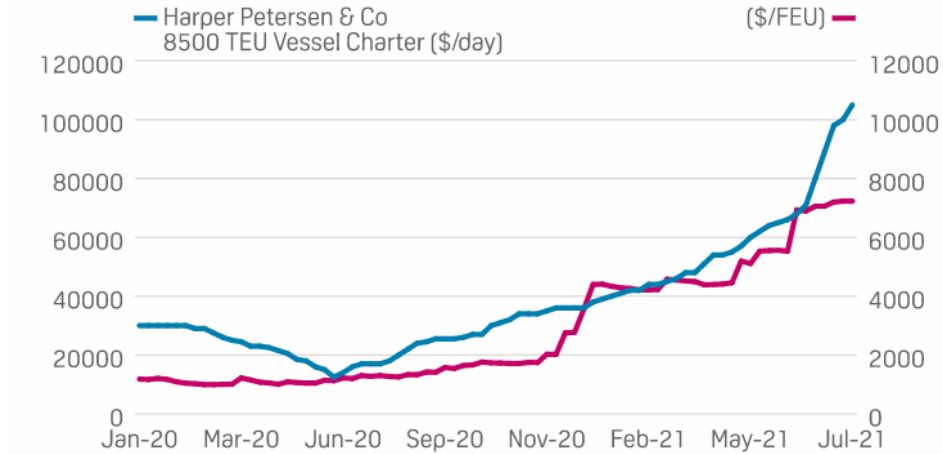
Shippers enter charter market, while carriers grab any viable ships



Shippers resort to private charters to avoid supply constraints

Supramax bulker heard retrofitted to transport containers

CHARTER RATES PUSHED TO HISTORIC HIGHS ON CONTINUED VESSEL DEMAND, CAPACITY SHORTAGES

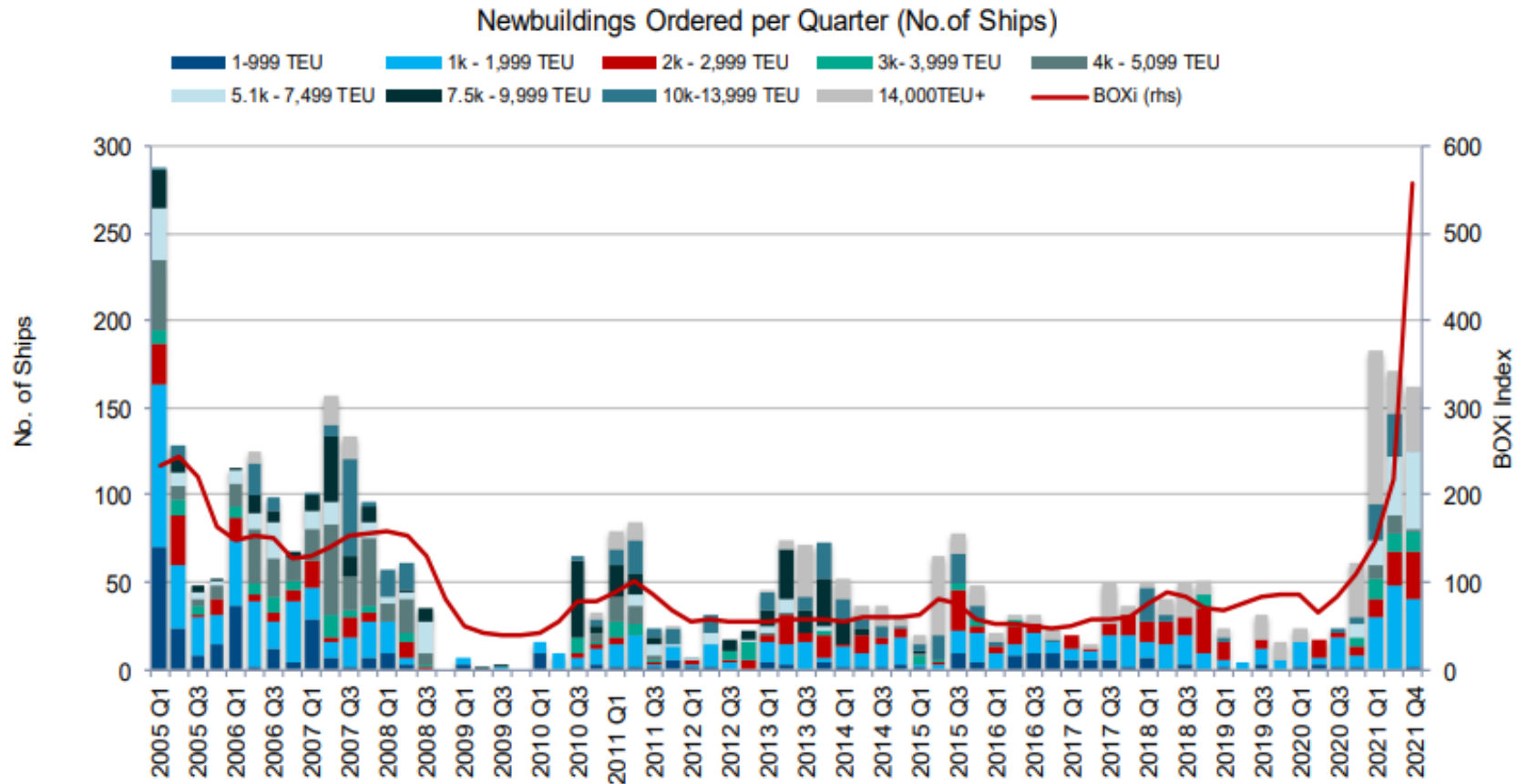


Source: S&P Global Platts, Harper Peterson & Co

Six- to 12-month time-charter rates for a ship with a capacity of 8,500 TEU registered \$115,000/d Sep. 3, up 350% from the year-ago assessment of \$25,000/day

However, many charters have been extended to 24-36 months, as carriers eagerly snap up tonnage to take advantage of high rates

Looking Ahead: Orderbook grows as bullish carriers reinvest



Containership orderbook balloons to 16-year high, with 6.0M TEU on order

14,000+ TEU size band make up the bulk of vessels on order

There exists comparatively little supply growth in 2021-23 timeframe

Ageing fleet suggests pickup in scrappings even as newbuildings are delivered

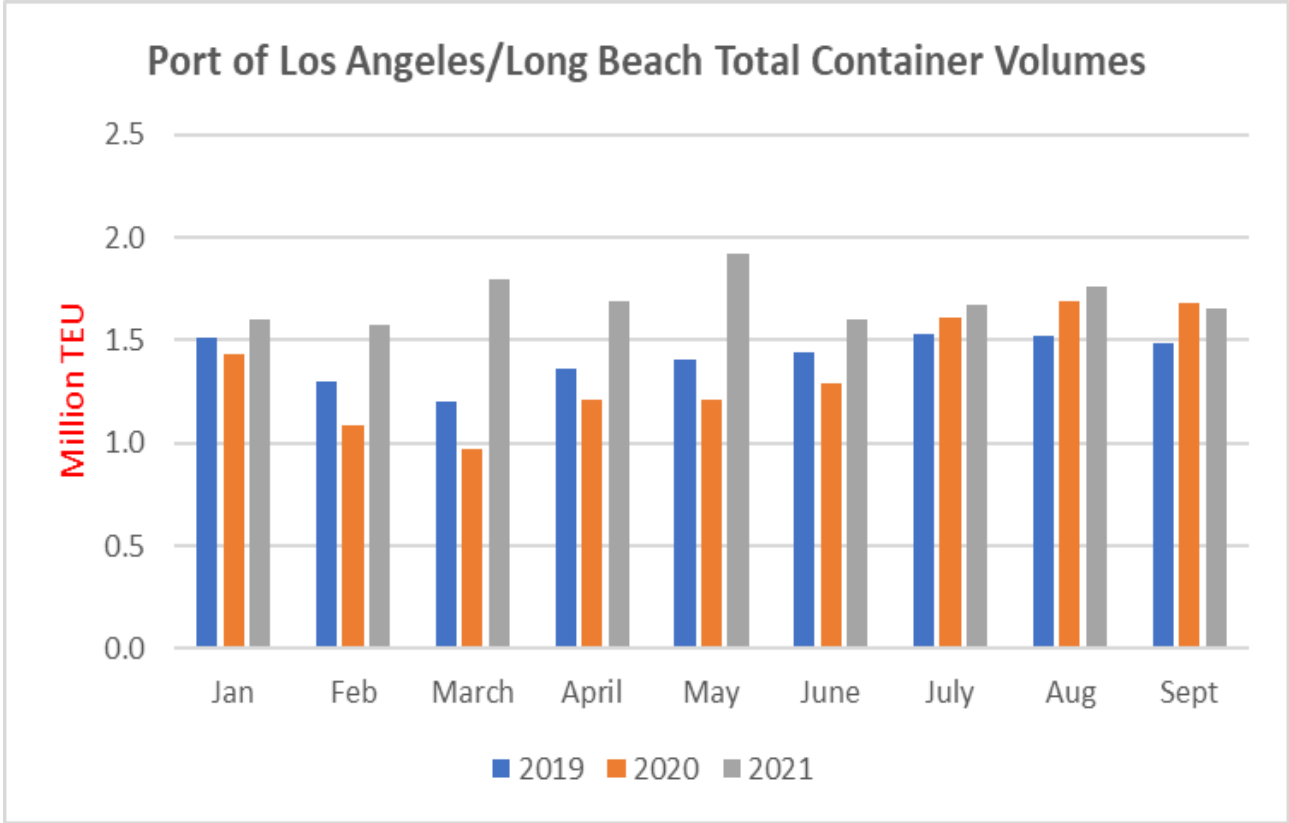
Source: Braemar ACM Shipbroking

S&P Global
Platts

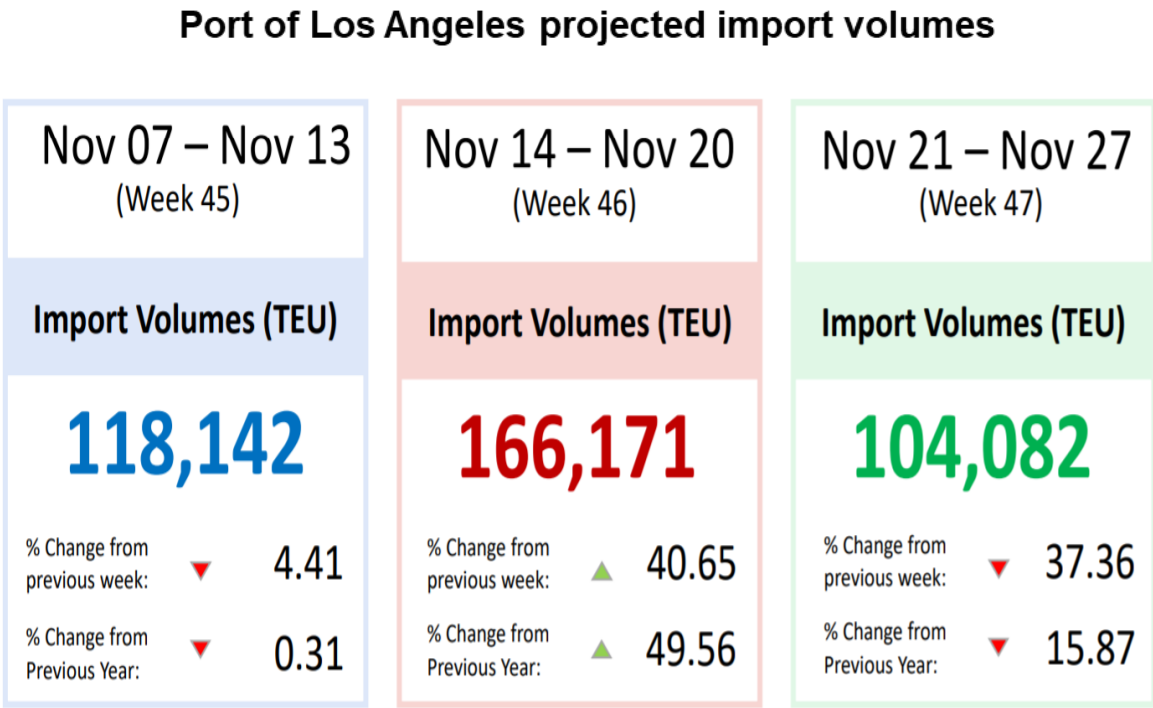
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SoCal Ports handle record volumes in 2021. Imports strain capacity, but exports are mostly empty containers.

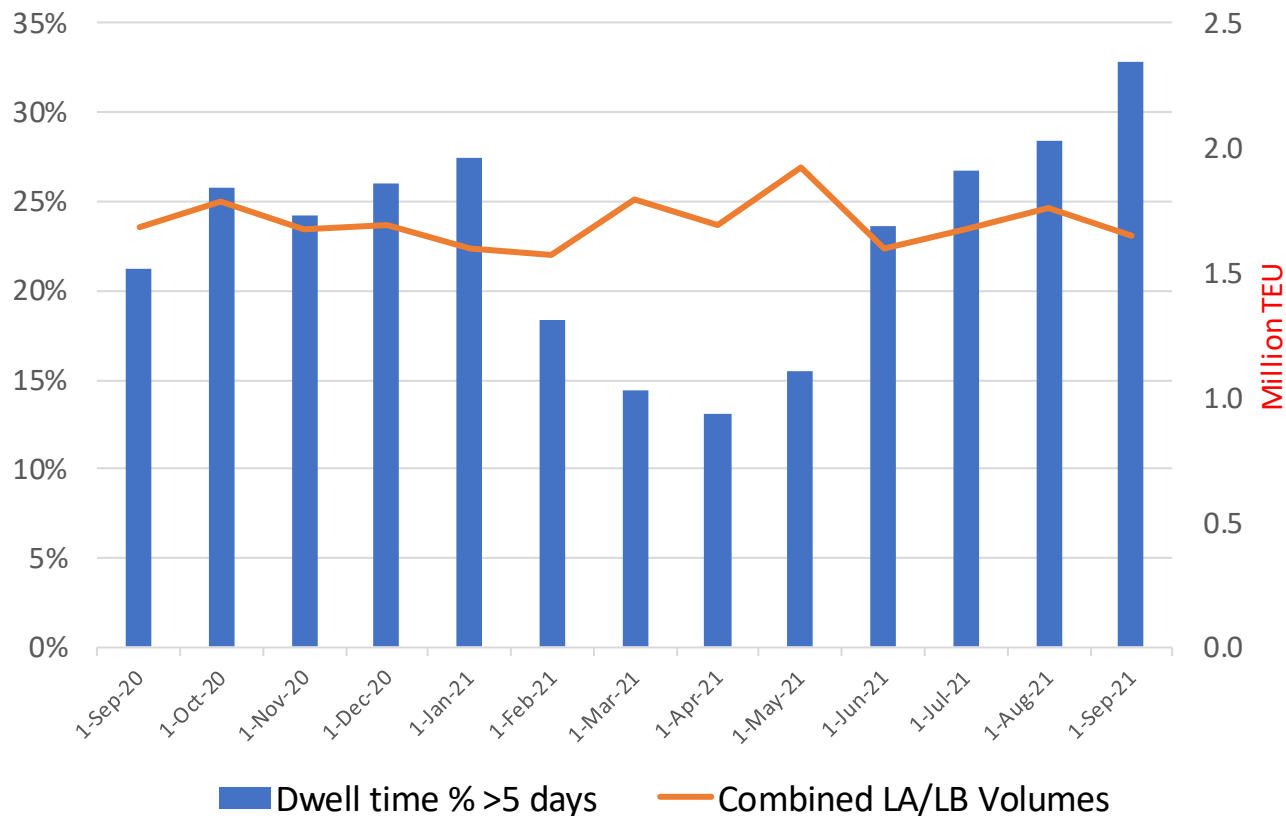


Source: Port of Los Angeles, Port of Long Beach, S&P Global Platts



Inland transport issues the biggest contributor to port congestion

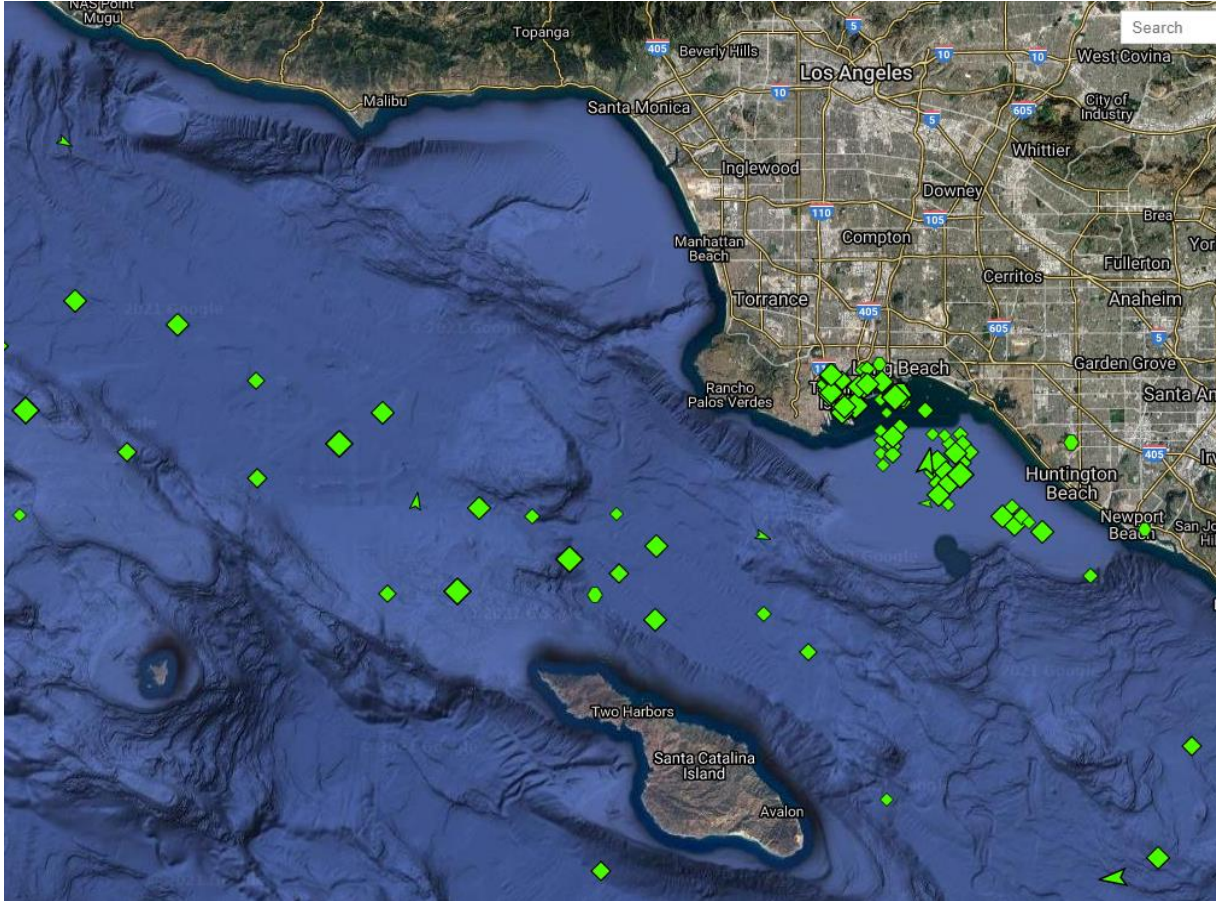
Port throughput dips as dwell times rise



Source: Pacific Merchant Shipping Association; Ports of Los Angeles/Long Beach

- It is not just West Coast ports that are severely congested; every node in the supply has reached capacity
- Warehouses and distribution centers in Southern California are so packed with goods that trucks are stuck waiting to unload
- The slowdown in turn-times creates a shortage chassis needed at the ports to take cargoes out from marine terminals
- Ultimately running out of room at the terminals to unload cargoes, ships must form a queue to berth at the ports

Southern California ship queue hits record of 87 on Nov. 15



Source: Platts cFlow



Policy tools wielded to resolve shipping crisis

Container Excess Dwell Fee Schedule

Local Import Loaded Container

Days on Terminal	Daily Charge (\$)	Cumulative Charge (\$)
9	\$ 100	\$ 100
10	\$ 200	\$ 300
11	\$ 300	\$ 600
12	\$ 400	\$ 1,000
13	\$ 500	\$ 1,500
More than 13	Incremental \$100 increase per day with no limit	

Intermodal Import Loaded Container

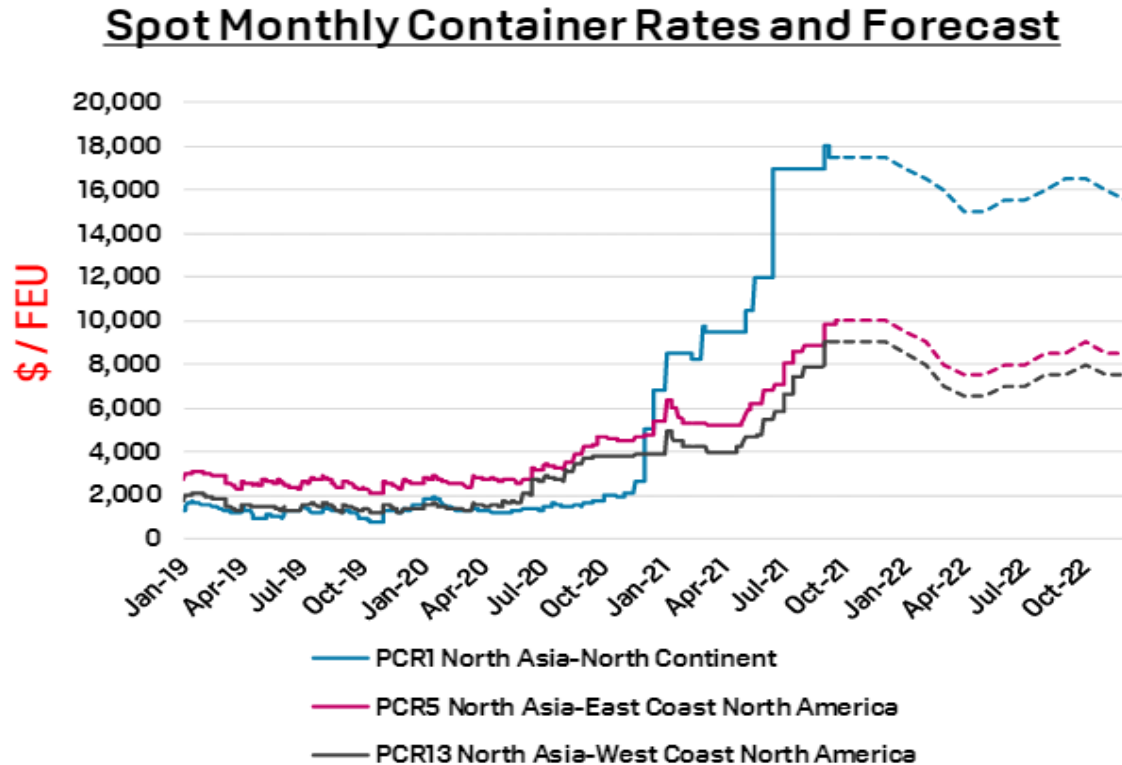
Days on Terminal	Daily Charge (\$)	Cumulative Charge (\$)
6	\$ 100	\$ 100
7	\$ 200	\$ 300
8	\$ 300	\$ 600
9	\$ 400	\$ 1,000
10	\$ 500	\$ 1,500
More than 10	Incremental \$100 increase per day with no limit	

- Biden administration in Oct. calls for Los Angeles, Long Beach ports to operate 24/7 to reduce congestion, but chassis shortage cuts program short
- Ports delay collecting fees from Nov. 22 for cargoes that exceed terminal dwell time limits of 8 days (truck) and 5 days (rail), counting began Nov. 1
- Ports and shipping lines exploring alternate locations to store boxes, but will pass dwell fees to shippers. Lack of available chassis not exempt
- Ocean Shipping Reform Act: US Congress considering bill to regulate “reasonableness” of detention & demurrage and declining of export opportunities, as determined by FMC

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Container rates may have already peaked...

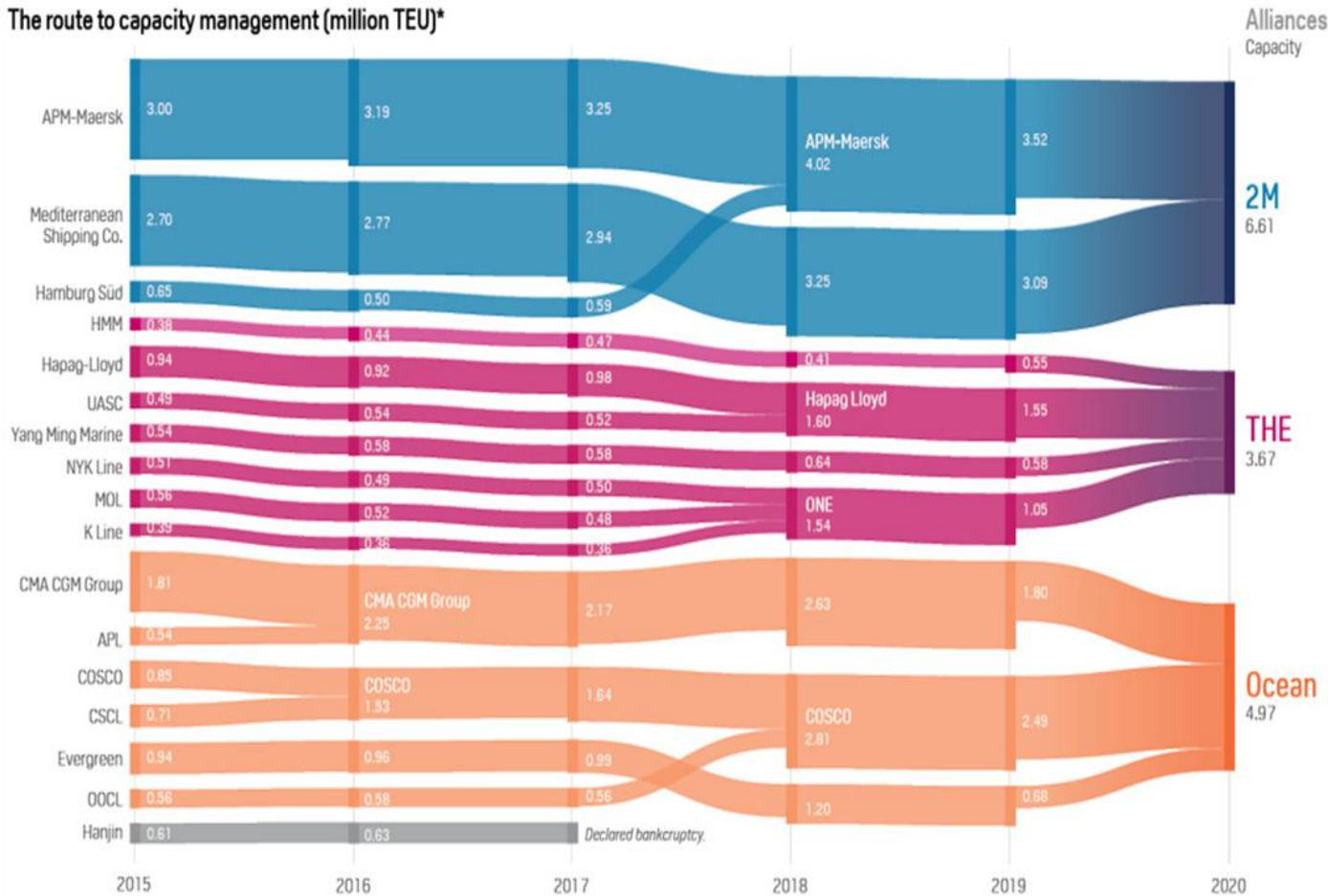


Source: S&P Global Platts Analytics

- All-inclusive premium trans-Pacific eastbound rates peaked out at around \$19,000/FEU to WCNA and \$25,000/FEU to ECNA in Aug-Sept; IPI maxed at \$30,000+
- Platts FAK container rate assessments peaked in Sept. at \$9,000/FEU North Asia to WCNA and \$10,000/FEU to ECNA, still hovering near those levels
- Demand for restocking expected to continue ahead on Lunar New Year Feb. 1, after which there could finally be some tailing off
- Black Swan events pose significant risk, chiefly from COVID-19 outbreaks at ports

...But volatility could be here to stay

The route to capacity management (million TEU)*



- “Pod of Whales” or “Accordion” effect very possible as equipment and vessels are “trapped” at import destinations, then is released back to Asia in bunches to repeat the cycle of congestion
- Choppy spot rates movement expected until significant equipment and newbuilding construction adds stability to carrying capacity
- Consolidated shipping alliances retain the ability to blank sailings in pockets of weak demand to keep container spot rates elevated

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