

# Hapag-Lloyd wins Asia-Europe green shipping tender to launch next year



*Cargo owners will collectively avoid at least 82,000 metric tons of CO2 equivalent emissions in 2025–26 under terms of a tender unveiled Wednesday. Photo credit: Sheila Fitzgerald / Shutterstock.com.*

**Greg Knowler, Senior Editor Europe | Apr 17, 2024, 11:55 AM EDT**

Hapag-Lloyd has won a tender from global cargo owners for the zero-emission shipment of containers from Singapore to Rotterdam that will cover 1.2 billion TEU-miles over a two-year period beginning in 2025.

The inaugural tender from the Zero Emission Maritime Buyers Alliance (ZEMBA), announced in Singapore Wednesday, is aimed at fast-tracking commercial deployment of green shipping services at scale to create a competitive market for those services.

“Our collective procurement approach is working, and we look forward to continuing to push the boundaries of what’s technically and economically feasible in subsequent

tenders, with a strong focus on maritime e-fuels,” Ingrid Irigoyen, president and CEO of ZEMBA, said in a statement.

“Through this first set of deals, ZEMBA members are reducing emissions in the near term, which is critical,” Irigoyen added. “We are also strongly urging suppliers of maritime e-fuels and other zero and near-zero emission propulsion alternatives to accelerate their market readiness in preparation for our next tender.”

The tender, announced in September last year, was initially for 600,000 TEUs over three years on a benchmark one-leg distance of Los Angeles to Shanghai. With the Shanghai-Rotterdam tender covering a far longer round-trip, but over two years, ZEMBA switched the unit of measurement to the transported distance per TEU in miles.

ZEMBA members, including Amazon, Patagonia, Nike and Bauhaus, have now collectively committed to purchase alternative fuels associated with over 1 billion TEU-miles of zero-emission shipping on the Singapore to Rotterdam trade lane in 2025–2026. The tender covers a negotiated “green premium” paid by shippers and does not involve the base freight rate.

“At the conclusion of contracting, ZEMBA expects members to collectively avoid at least 82,000 metric tons of CO<sub>2</sub>e [CO<sub>2</sub> equivalent emissions] over two years through Hapag-Lloyd’s independently certified and exclusively waste-based biomethane service,” Irigoyen said.

Hapag-Lloyd CEO Rolf Habben Jansen said for the carrier to reach its goal of net-zero ship operations by 2045, the kind of initiative offered by the ZEMBA tender was crucial to support its decarbonization drive.

“By offering our service, we aim to reduce greenhouse gas emission significantly and contribute to a greener future for global shipping,” he said in the statement. The biomethane will be sourced from the European gas grid via the carrier’s suppliers using the so-called “mass balance” concept replacing fossil fuels with renewables.

## **Tender shortened to two years**

When first issued, the tender was for three years, but given that the first deployment of ships able to run on zero-emission e-fuels is only expected in 2027, ZEMBA adjusted it to two years — 2025–2026 — to allow its second tender to focus on supporting e-fuels and technologies of nonbiological origin. The second tender will be launched later in 2024.

The request for proposal issued in September last year attracted qualifying bids from several major carriers, which ZEMBA believes demonstrated that the demand aggregation model was a functional mechanism that enabled cargo owners to make immediate investments to reduce their Scope 3 emissions from ocean freight.

Yet even as ZEMBA celebrated the successful completion of the bid, the alliance pointed out that under the current policy landscape and market conditions, fuels with biogenic feedstocks were currently the only viable options that could achieve its 90% emissions reduction target, aggregated volume and deployment time frame for this first-round tender.

During the tender process, ZEMBA found that the market for e-fuels and fuels of nonbiological origin, such as e-methanol, was still nascent.

“A combination of refinement of procurement approach and robust policy is needed to propel the maritime sector past bio-based fuels to incentivize the production and commercial deployment of e-fuels,” the statement noted.

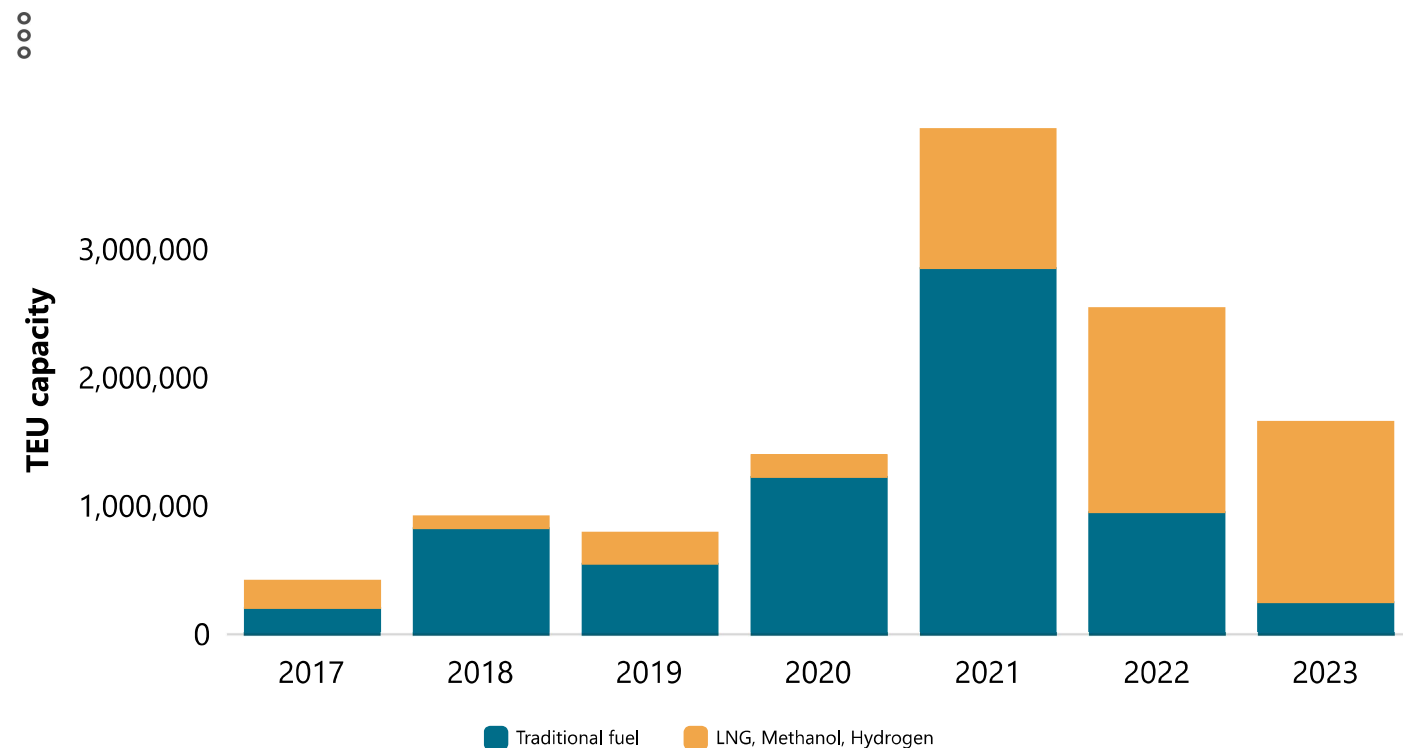
## **Willingness to pay remains a hurdle**

With some way to go before e-fuels are available at scale, carriers have turned to biofuel products and liquified natural gas (LNG) to reduce their transport emissions. The latest is Ocean Network Express (ONE), which on Wednesday announced its biofuel-powered “Low Emission-Able Freight” product — or LEAF+ — which it claims will generate 84% less well-to-wake CO<sub>2</sub>e emissions compared with very low sulfur fuel oil.

Hapag-Lloyd’s ShipGreen and Maersk’s ECO Delivery Ocean products offer a similar biofuel product, and CMA CGM has its Biofuel+ product in addition to a large fleet of LNG vessels that can also sail on bio or e-methane.

## Dual-fuel vessels dominate container shipping orderbook

Orders placed for ships with alternative fuel propulsion by capacity



Source: S&P Global

© 2024 S&P Global

5Y MAX

### Related data for this chart

[Click here](#) to explore related data on Gateway

But a major hurdle to these services remains the willingness of cargo owners to pay the higher rates being charged for low-emission fuels while cheaper fossil fuel alternatives are available. Biofuel available today costs \$700 per ton more to produce than fossil fuel.

Current average spot rates from Singapore to Rotterdam are \$1,815 per TEU. Using Hapag-Lloyd's ShipGreen biofuel product for 100% emissions avoidance will add \$188 per TEU to the rate, according to the carrier's East Asia to North Europe tariffs provided online.

Hapag-Lloyd noted that only 1% of its global volume in 2023 was moved under ShipGreen, while Maersk also reported slow demand for its green services with 660,000 TEUs transported via its ECO Delivery Ocean biofuel product that represented just 3% of its total volume last year.

## ‘Increasing demand to ship green’

ZEMBA believes demand from shippers will accelerate as supply chains respond to the growing number of green products on offer, but they still need a wider range of services from carriers.

“Cargo owners want to invest in the long-term solutions that will help this sector decarbonize, and right now, they aren’t able to access these solutions commercially through major carriers,” according to ZEMBA.

Habben Jansen told a media briefing Tuesday that 45% of its customers had CO2 reduction goals, and although just 11 of its top 30 shippers had Scope 3 targets, “there is increasing demand to ship green.”

“At the moment that’s maybe still a small percentage of what is being shipped globally, but that will definitely grow year after year,” he told reporters.

Carriers are playing their part with increasing orders for dual-fuel ships capable of operating on low- or zero-carbon fuels. Data from Sea-web, a sister company of the *Journal of Commerce* within S&P Global, shows LNG ships comprise 33.3% of the order book and methanol vessels 21.1%, while traditional bunker fuels are at 45.6%.

*Contact Greg Knowler at [greg.knowler@spglobal.com](mailto:greg.knowler@spglobal.com).*

© 2024 S&P Global. All rights reserved. Reproduction in whole or in part without permission is prohibited.

You are permitted to print or download extracts from this material for your personal use only. None of this material may be used for any commercial or public use. For more information on reprints/eprints, please visit <https://subscribe.joc.com/mediasolutions/>.