

Debate Pack

Number CDP 2021-0147
By Dr Roger Tyers,
Fintan Codd,
Louisa Brooke-Holland,
Georgina Hutton
15 September 2021

The UK's maritime sector

1	Background	2
2	Parliamentary Material	8
3	Press Articles	10
4	Further Reading	11

1

Background

A Westminster Hall debate on the 'UK's maritime sector' has been scheduled for Thursday 16 September 2021 from 1.30-3pm. The debate has been initiated by Kevan Jones MP. This briefing contains background information, parliamentary and press material, as well as suggested further reading which Members may find useful when preparing for this debate.

Overview of the sector

The UK maritime sector includes port facilities, the shipping fleet, maritime business services, engineering and the leisure marine sector.

Maritime UK, trade body for the maritime industry, reported that the sector directly contributed £17 billion to the economy in 2017 and supported 220,000 jobs.¹ Further analysis including a regional breakdown is provided in Maritime UK's [State of the Maritime Nation 2019](#) report.

Looking only at shipping (that is, water transport only, excluding port warehousing, ship building and other maritime sector activities), the sector contributed £6.0 billion to the economy in 2020 according to the Office for National Statistics, accounting for 19% of the transport industry.² This figure is not comparable to the Maritime UK report due to different sources used.

UK-flagged ships

The UK has four ship registers, which are maintained by the Maritime and Coastguard Agency (MCA) an agency of the Department for Transport (DfT).

- Part 1 Registry is for Pleasure and Commercial vessels. Part 1 Pleasure allows for a title to be registered against the vessel. Part 1 Commercial are vessels that operate internationally or commercially.
- Part 2 Registry is for commercial Fishing Vessels.
- Part 3 Registry is for the Small Ships Register. Any eligible UK resident owning a boat or yacht for personal leisure use, that is less than 24 metres in overall length, can join the Small Ships Register.
- Part 4 Registry is 'Bareboat Charter' which allows vessels registered outside the UK to be used for a charter contract by companies who wish to be UK registered only for the duration of the charter.

¹ Maritime UK, [State of the Maritime Nation 2019](#), analysis by Centre for Economics and Business Research (Cebr), 11 September 2019.

² Office for National Statistics, [GDP output approach – low level aggregates](#), serKK7N, accessed 14 September 2021.

Ships registered in the UK can bear the UK 'red ensign' flag, are entitled to British consular and naval protection, and other benefits.

According to data obtained from the MCA, there were a total of 64,155 UK registered vessels as of April 2021. The majority of these vessels were registered as small ships (i.e. a small vessel owned for leisure purposes). The following numbers of vessels were registered with the UK flag:

- Part 1 (Pleasure) 16,114
- Part 1 (Commercial) 1,121
- Part 2 (Fishing Vessels) 5,464
- Part 3 (Small Ships) 41,436
- Part 4 Bareback Charter 20

The UK register has been declining in size for several years. As measured by Gross tonnage (a measure of vessel size) for all merchant vessels over 100GT³, the UK Ship Register (UKSR) fell 5% to 10 million GT at end December 2020. In 2020 the UKSR declined for the third year in a row and is now 38% lower than the previous peak in 2017.

In global terms, the UK has the 24th largest trading fleet in the world. At the end of 2020, the UK registered trading fleet accounted for 0.5% of the world fleet on a deadweight tonnage basis (a measure of cargo carrying capacity), and 0.6% when based on gross tonnage (a measure of vessel size), both down slightly since 2019. However, the 'UK fleet' of ships either owned, parent owned or managed in the UK is larger than the UK registered trading fleet - comprising in total around 4% of the world fleet, by deadweight tonnage.⁴

The DfT suggest that the recent decline in UK-flagged ships may be due to uncertainty around Brexit⁵, as well as longer-term commercial reasons for ship owners to register with 'open' flag states such as Panama or Liberia.

Current Issues

Container freight costs

Global shipping costs are at a historic high. The World Container Index, compiled by Drewry, a maritime research and consulting firm, shows that costs were 351% higher at the end of August 2021 compared with a year ago. The index for a 40ft container reached \$9,820 at the end of August compared

³ Taken from Parts 1 and 4 of the register

⁴ DfT [Shipping Fleet Statistics: 2020](#) March 2021

⁵ Ibid.

with a five year average of \$2,260.⁶ Costs began to rise from mid-2020, as shown in the Bank of England chart below⁷.

Chart B: Shipping costs have increased significantly

May 2020 = 100



Sources: Freightos Baltic Index and Bank calculations.

A combination of supply and demand factors have contributed to this very sharp increase in shipping costs since mid-2020.

Covid-19 pandemic: this led to shutdowns at many producer nation ports (especially China) and to reductions in capacity at ports around the world.⁸ For example, a terminal closed at the Ningbo port in China (the world's third biggest port) after a dock worker tested positive.⁹

Shortage of containers: in March, the Financial Times reported that disruption to global trade caused by the pandemic had meant that many containers were out of position. A rise in demand for goods manufactured in China, coupled with restrictions and staff shortages in US and European ports, meant delays in returning containers to Asia.¹⁰

Increased demand for goods: Lockdown led to a surge in online shopping increasing demand for imports.¹¹ Consumers have been less able to spend money on services so have switched demand to goods. Economies have been boosted by government support packages.

⁶ Drewry, [World Container Index](#), 26 August 2021

⁷ The chart is from a Bank of England blog, [How has Covid affected global trade?](#) 23 July 2021, based on data from Freightos, a company supplying shipping data

⁸ [Shipping bottlenecks set to prolong supply chain turmoil](#), Financial Times, 16 August 2021

⁹ [Shipping group Hapag-Lloyd earns more in 6 months than in previous 10 years](#), Financial Times, 12 August 2021

¹⁰ [China's exporters hit by global shortage of shipping containers](#), Financial Times, 1 March 2021

¹¹ UNCTAD, [Container shipping in times of COVID-19: Why freight rates have surged, and implications for policymakers](#), Policy Brief No 84, April 2021

The World Trade Organization's Goods Trade Barometer shows global goods trade continuing its robust recovery from the pandemic. The barometer hit a record high in June.¹²

Recovery in China: according to the United Nations Conference on Trade and Development (UNCTAD), there has been an “unexpected and unprecedented swift rebound in containerized trade enabled by an early and rapid recovery in China”.¹³

New regulations from the International Maritime Organisation (IMO), called [IMO 2020](#), required shipping companies to switch to lower-sulphur fuels, from January 1st 2020. This was expected to have pushed up shipping costs. Shipping company CAI estimated that an Asia to North Europe round trip could cost an additional \$1 million after the sulphur emission laws took place.

The Suez canal crisis in March 2021 [pushed up](#) freight prices across the globe, by creating backlogs in supply chains and exacerbating the pre-existing shortage of vessels and containers.

The UK Government is aware of this global issue, affecting both UK imports and exports. In response to a Parliamentary Question on 13 September, Trade Minister Graham Stuart said the Government expect high container freight prices to persist for the remainder of 2021:

The high demand for container freight which has driven a rise in export shipping costs over the last 12 months is thought to be caused by changes in consumer spending during the Covid-19 pandemic. This global “container surge” is affecting not only the UK but container prices across international markets. High prices are predicted to continue through 2021 though markets are expected, eventually, to adjust.¹⁴

Decarbonisation

Historically, neither international aviation or shipping emissions have been explicitly included in the UK's ‘net-zero’ legislation¹⁵. In 2021, the Government announced that it would, following advice from the Climate Change Committee (CCC)¹⁶, include international aviation and shipping emissions in the UK's net zero target, and in its carbon budgets, for the first time.¹⁷

In its publication ‘[Decarbonising Transport: A Better, Greener Britain](#)’, the DfT also committed to the following actions regarding maritime emissions:

¹² WTO, [Goods Barometer hits record high, confirming strength of trade recovery](#), 18 August 2021

¹³ Jan Hoffmann, [How to cushion consumers from high maritime freight rates](#), UNCTAD, 27 July 2021

¹⁴ PQ 40721 [[Shipping: Freight](#)] 13 September 2021

¹⁵ [Climate Change Act 2008 \(2050 Target Amendment\) Order 2019](#)

¹⁶ Committee on Climate Change (2019). [Net-zero and the approach to international aviation and shipping emissions: Letter from Lord Deben to Grant Shapps](#).

¹⁷ DfT [Decarbonising Transport: A Better, Greener Britain](#) 2021

- Following consultation in 2022, establish a 'Course to Zero' – a series of indicative targets for the domestic maritime sector to achieve net zero by no later than 2050, or earlier if possible.
Launch a public consultation in mid-2022 on a planned phase out date for the sale of new non-zero emission domestic vessels.
Investigate the use of economic instruments to drive sectoral decarbonisation.
- Establish a UK Shipping Office for Reducing Emissions (UK-SHORE), a dedicated unit within the DfT focused on decarbonising the maritime sector.
- Consult (in Winter 2021) on how government can support the wider deployment of shore power, to reduce emissions from vessels visiting ports.
- Extend the Renewable Transport Fuel Obligation (RTFO) to support renewable fuels of non-biological origin used in shipping.
- Push for greater ambition during the 2023 review of the International Maritime Organisation's (IMO) Initial Greenhouse Gas Strategy and urge decarbonisation faster than the '50% by 2050' target committed to by IMO in 2018¹⁸
- Review, and if appropriate amend, the UK's existing monitoring, reporting and verification system for greenhouse gas emissions from international shipping, to ensure it is fit for purpose.

At the start of international shipping week on 13 September, the DfT announced that it would push for an absolute zero target for international shipping emissions by 2050, although that would require negotiations with other countries through the IMO. In the same announcement, the Transport Secretary also outlined his ambition to have zero emission vessels in commercial service by 2025, leading to the possibility for greener channel crossings in the next decade.¹⁹ On 15 September, also as part of international shipping week, the DfT announced winners of its £23 million government-funded R&D Clean Maritime Demonstration Competition, including a green hydrogen-powered submarine, and an all-electric shore power charge-point connected to an offshore wind turbine.²⁰

¹⁸ International Maritime Organization [Adoption of the Initial IMO Strategy on reduction of GHG emissions from ships and existing IMO activity related to reducing GHG emissions in the shipping sector](#), 2018

¹⁹ DfT [UK calls for zero global shipping emissions by 2050 as greenest ever London International Shipping Week begins](#) 13 September 2021

²⁰ DfT [World's first green submarine among winners of the UK's biggest clean maritime competition](#) 15 September 2021

Naval procurement

The Ministry of Defence will publish an update to its 2017 National Shipbuilding Strategy later this year. The MOD's new defence and security industrial strategy (published in March 2021) laid out the UK's ambition to develop a "continuous shipbuilding pipeline" that will "drive sustainable growth throughout the UK's shipbuilding supply chain."

The industrial strategy also sets out a new naval procurement policy.

Under the 2017 shipbuilding strategy, the MOD [limited the number of naval ships eligible for UK only competition](#) to warships, and to compete non-warships. However, in the new industrial strategy, the MOD says that the procurement approach for each class of ship (both Royal Navy and Royal Fleet Auxiliary) will be determined on a case-by-case basis. The MOD says it will consider the long-term industrial impact of different options, including their relative contribution to UK social value, for example the extent to which they create new skills and employment.

Maintaining a maritime enterprise able to design, manufacture and support future naval ships is linked to national security:

We consider that a regular drumbeat of design and manufacturing work is needed to maintain the industrial capabilities critical for our national security and to drive efficiencies which will reduce longer-term costs in the shipbuilding portfolio.²¹

The first test of this new policy will be the order for new Fleet Solid Support Ships (FSS). These are Royal Fleet Auxiliary ships that replenish Royal Navy ships at sea with stores, food and munitions. In September 2021 the MOD [announced a shortlist](#) of four consortia for the FSS ships. These [four consortia](#) include a mix of UK and overseas shipyards. A manufacturing contract is expected to be [awarded in 2023](#). A defence minister said in July that "[a significant proportion of the build work will be carried out in the UK](#)." MPs and Lords have previously questioned why the FSS competition should not be limited solely to the UK to ensure work for UK shipyards.²²

The Navy is also working on a [new autonomous mine-hunting system](#) to replace its fleet of mine counter-measure vessels.

On 13 September shipbuilding Tsar and Secretary of State for Defence, Ben Wallace, announced the founding of a new National Shipbuilding Office. In the accompanying press release the Defence Secretary said the office "[will be the strategic centre that drives transformative change across the shipbuilding industry and wider maritime sector and supply chains](#)." The Office will "take ownership" of the national shipbuilding strategy refresh, once published.

²¹ [Defence and Security Industrial Strategy](#), Ministry of Defence, CP 410, March 2021, p92

²² [HL Deb 7 October 2020 \[Fleet Solid Support Ships\]](#), [HC Deb 8 July 2019 \[Fleet Solid Support Ships\]](#).

2

Parliamentary Material

Decarbonising the UK: Role of Shipping Emissions

14 Sept 2021| House of Commons Westminster Hall Debate

Fleet Solid Support Ships: Procurement

Asked by: Kevan Jones| Party: Labour Party

To ask the Secretary of State for Defence, what assessment he has made of the importance of the prosperity agenda in relation to the Fleet Solid Support Ship contract

Answering member: Jeremy Quin| Ministry of Defence

The final contract for the manufacture of the Fleet Solid Support (FSS) ships will be awarded to a UK business, either solely or as part of a consortium, and a significant proportion of the build work will be carried out in the UK. We will seek to deliver UK social value in recognition of the opportunities for prosperity and levelling-up that the programme presents. The FSS competition seeks to maximise the social value contribution shipbuilding can make in the UK, including encouraging investment in domestic shipyards, whilst balancing the need to deliver value for money and a solution that fully meets the requirements of the Royal Fleet Auxiliary. We are confident the programme will support jobs and skills, but until we reach the main investment decision it is too early to give any estimates of the number of jobs that may be created or sustained by the programme.

14 Sept 2021| Written questions| House of Commons| 44203

Shipping: Freight

Asked by: Andrew Rosindell | Party: Conservative Party

To ask the Secretary of State for International Trade, what assessment her Department has made of trends in the level of increase in shipping cost for exports from the UK in each of the last 12 months.

Answering member: Graham Stuart| Department for International Trade

The high demand for container freight which has driven a rise in export shipping costs over the last 12 months is thought to be caused by changes in consumer spending during the Covid-19 pandemic. This global “container surge” is affecting not only the UK but container prices across international markets. High prices are predicted to continue through 2021 though markets are expected, eventually, to adjust.

13 Sep 2021 | Written questions| House of Commons | 40721

Shipbuilding

Asked by: John Healey | Party: Labour Party

To ask the Secretary of State for Defence, when he plan to publish the refresh of the National Shipbuilding Strategy.

Answering member: Jeremy Quin | Department: Ministry of Defence

We will publish the Refresh to the National Shipbuilding Strategy later this year.

09 Sep 2021 | Written questions | House of Commons | 43387

[Transport: Carbon Emissions](#)

Asked by: Lord Berkeley | Party: Labour Party

To ask Her Majesty's Government what is the current percentage of carbon dioxide emissions attributed to (1) road, (2) rail, (3) air, and (4) shipping, including any UK share on international routes.

Answering member: Baroness Vere of Norbiton | Department for Transport

The most recent confirmed greenhouse gas statistics, for transport in 2019, attribute 66% of emissions to road transport, 1% to rail, 23% to domestic and international aviation, and 8% to domestic and international shipping.

03 Aug 2021 | Written questions | House of Lords | HL2290

[Letter dated 23/07/2021 from Baroness Vere of Norbiton to Lord West of Spithead regarding issues raised following the Oral Statement on Transport Decarbonisation: the need for R&D spending in the maritime sector, shore power. 2p.](#)

Department for Transport Deposited Paper

23 July 2021

[Shipbuilding: Environment Protection](#)

Asked by: Lord West of Spithead | Party: Labour Party

To ask Her Majesty's Government what investment they are providing to support the growth of green shipbuilding in the UK.

Answering member: Baroness Goldie | Ministry of Defence

The Secretary of State for Defence, in his role as Shipbuilding Tsar, is working across Government to support the shipbuilding enterprise. The National Shipbuilding Strategy Refresh will set out our comprehensive support for green shipbuilding, which offers a significant opportunity for driving the renaissance of the sector.

On 22 March 2021 the Department for Transport launched the £20 million Clean Maritime Demonstration Competition, which has now closed. This will fund feasibility studies and initial technology trials in clean maritime technologies including green shipbuilding, placing the UK at the forefront of the design and manufacturing of zero emission vessels.

22 Jul 2021 | Written questions | House of Lords | HL1931

3

Press Articles

[Why even giant ships can't solve the shipping crisis](#)

BBC News

14 September 2021

[The sunk cost of shipping to the UK](#)

Financial Times

7 September 2021

[Ministry of Defence faces backlash after awarding contracts to foreign shipyards](#)

City a.m.

2 September 2021

[Shipping bottlenecks set to prolong supply chain turmoil](#)

Financial Times

7 September 2021

[Refreshed UK shipbuilding strategy to come after government spending review](#)

Shephard Media

18 August 2021

[The shipping industry must take responsibility for its carbon emissions](#)

The Times (website)

11 August 2021

[EU proposes tax on all shipping emissions and to limit polluting fuels](#)

Lloyds Register

14 July 2021

[Boris Johnson has 'one shot' to refloat shipbuilding industry](#)

The Times (website)

12 May 2021

[Will autonomous ships be the "downfall" of the shipping sector?](#)

Equal Times

16 December 2020

[UN's decarbonisation target for shipping to cost over \\$1 trillion – study](#)

Reuters

January 2020

4

Further Reading

Organisations

[British Ports Association](#) - national membership body for UK ports, terminal operators and port facilities

[Confederation of Shipbuilding and Engineering Unions](#)

[International Maritime Organization](#) - the United Nations agency with responsibility for the safety and security of shipping, and the prevention of marine and atmospheric pollution by ships.

[International Transport Workers' Federation - Seafarers](#)

[Maritime and shipping statistics](#) (from the Department for Transport) – includes data about ports, shipping, sea passengers, waterborne freight and seafarers.

[Maritime UK](#) – industry body

[UK Chamber of Shipping](#) – Industry Body representing UK shipping industry

Reports/Studies

[Maritime biennial report: April 2019 to May 2021](#), Department for Transport/MCA/MAIB, 14 September 2021

[Market Intelligence:Shipping: United Kingdom](#), Kevin Cooper, MFB Solicitors, September 2021

[Transport decarbonisation – plotting a maritime course to net zero](#), CMS Law-Now, 11 August 2021

[Proposal for a regulation on the use of renewable and low-carbon fuels in maritime transport and amending Directive 2009/16/EC](#), European Commission, 14 July 2021

[Maritime 2050: where are we now?](#) Maritime UK, June 2021

[Build Back Fairer](#), Nautilus, May 2021

[UK Maritime Services Capability Review 2020](#), Maritime UK, May 2021

[Review of maritime transport 2020](#), UNCTAD, 12 November 2020

[State of the Maritime Nation 2019](#), Maritime UK, 11 September 2019

[Maritime 2050: navigating the future](#), Department for Transport, January 2019

Disclaimer

The Commons Library does not intend the information in our research publications and briefings to address the specific circumstances of any particular individual. We have published it to support the work of MPs. You should not rely upon it as legal or professional advice, or as a substitute for it. We do not accept any liability whatsoever for any errors, omissions or misstatements contained herein. You should consult a suitably qualified professional if you require specific advice or information. Read our briefing '[Legal help: where to go and how to pay](#)' for further information about sources of legal advice and help. This information is provided subject to the conditions of the Open Parliament Licence.

Feedback

Every effort is made to ensure that the information contained in these publicly available briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Please note that authors are not always able to engage in discussions with members of the public who express opinions about the content of our research, although we will carefully consider and correct any factual errors.

You can read our feedback and complaints policy and our editorial policy at commonslibrary.parliament.uk. If you have general questions about the work of the House of Commons email hcenquiries@parliament.uk.

The House of Commons Library is a research and information service based in the UK Parliament. Our impartial analysis, statistical research and resources help MPs and their staff scrutinise legislation, develop policy, and support constituents.

Our published material is available to everyone on commonslibrary.parliament.uk.

Get our latest research delivered straight to your inbox. Subscribe at commonslibrary.parliament.uk/subscribe or scan the code below:



 commonslibrary.parliament.uk

 [@commonslibrary](https://twitter.com/commonslibrary)