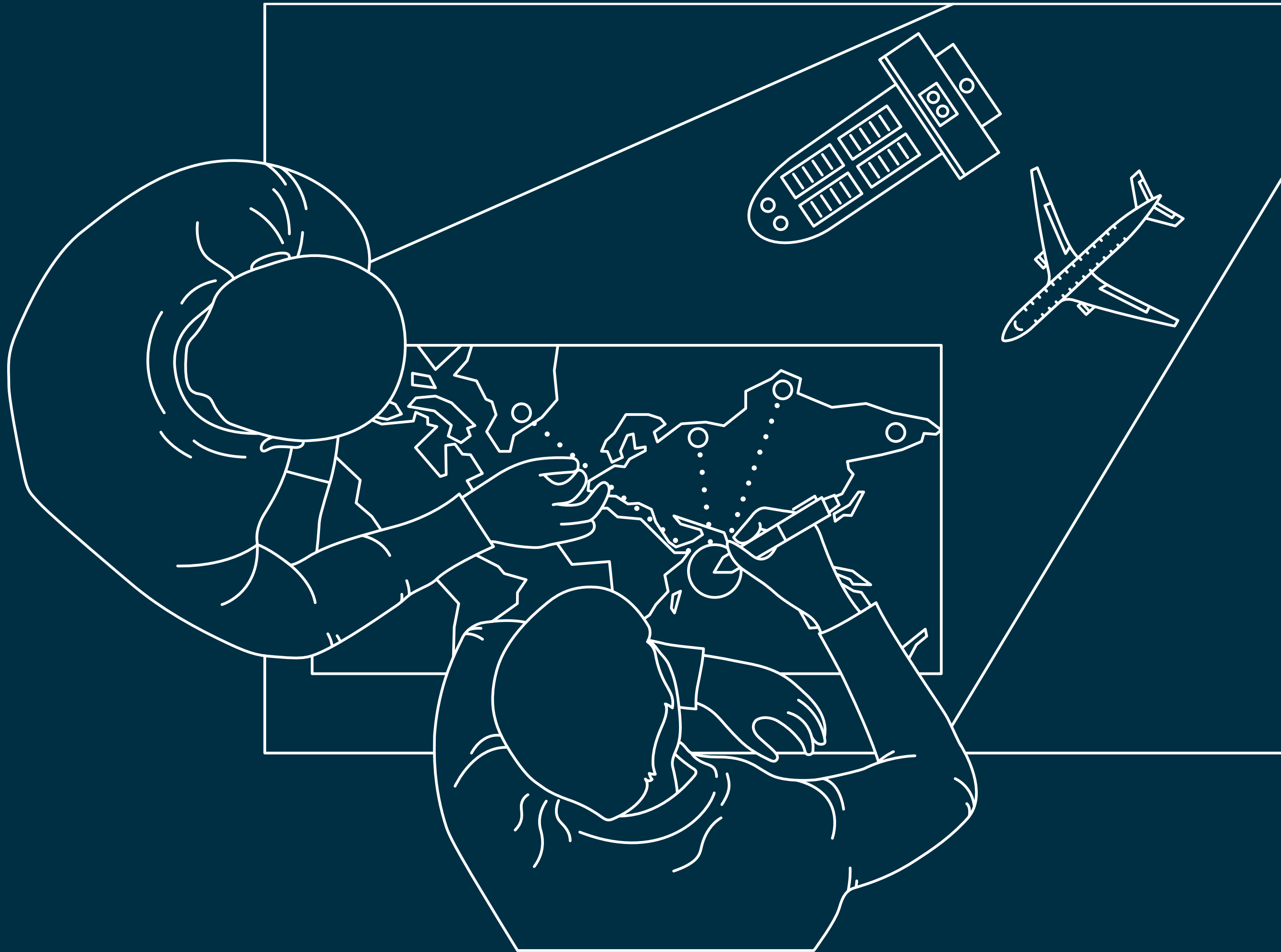
Intermodal Africa 2025

MARITIME INDUSTRY - Current Economics of East Africa and Energy Transition Initiatives

July 23rd, 2025



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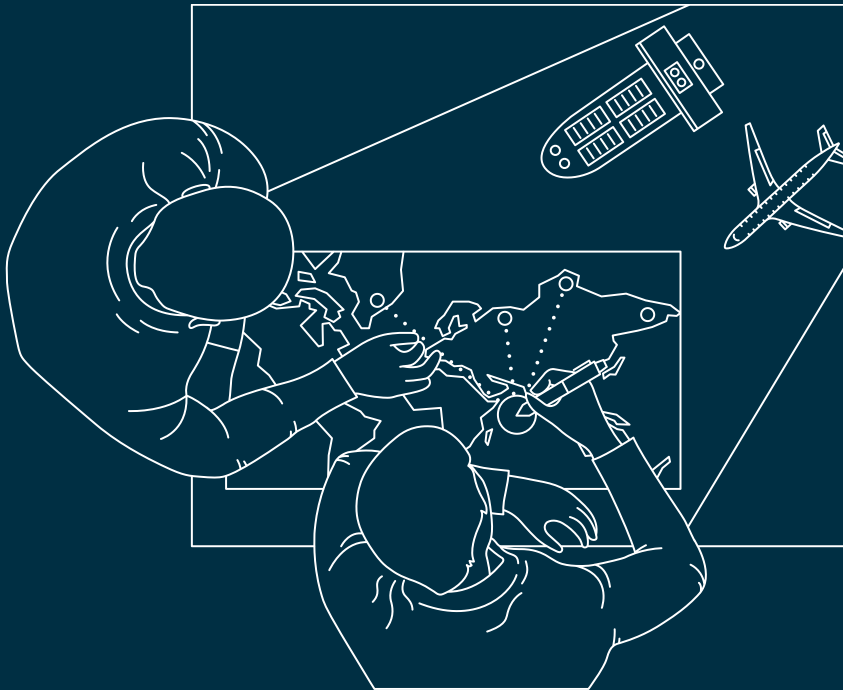

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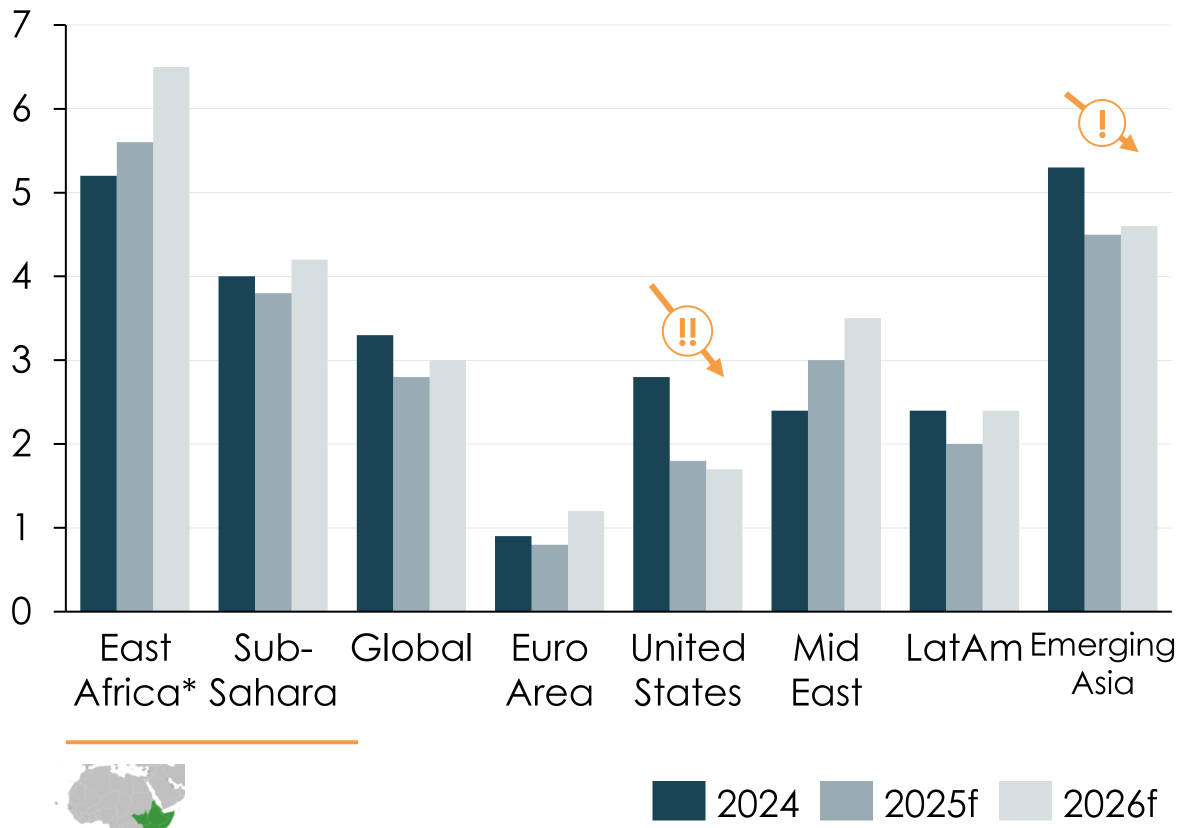
East Africa is one of the fastest growing regions in the world – The tariff war - threat and reality- has specially impacted US and Asian growth forecasts

Key points

- After 5 chaotic years, it seemed that finally the last straw from Covid, the highest inflation in decades, was going down and **we were finally starting to hear whispers of *Stabilisation of the Global Economy*… But here we go again!**
- The **US uncertain tariff policy** has created headaches, forecasting work (lucky us!), and too many model scenarios – but it seems to have also destroyed vast forecasted global economic growth*
- **East Africa is already experiencing strong economic growth**, with GDP expanding at over 5% year-on-year, **and this is expected to accelerate** to 6.5% by 2027.
- **Sustained double-digit annual growth could pave the way for a rapid transition towards industrialisation and economic development**, similar to the transformation witnessed in the Asian Tigers and other parts of Asia.

Real GDP Growth by Global Region 2024-2026f, in YoY %



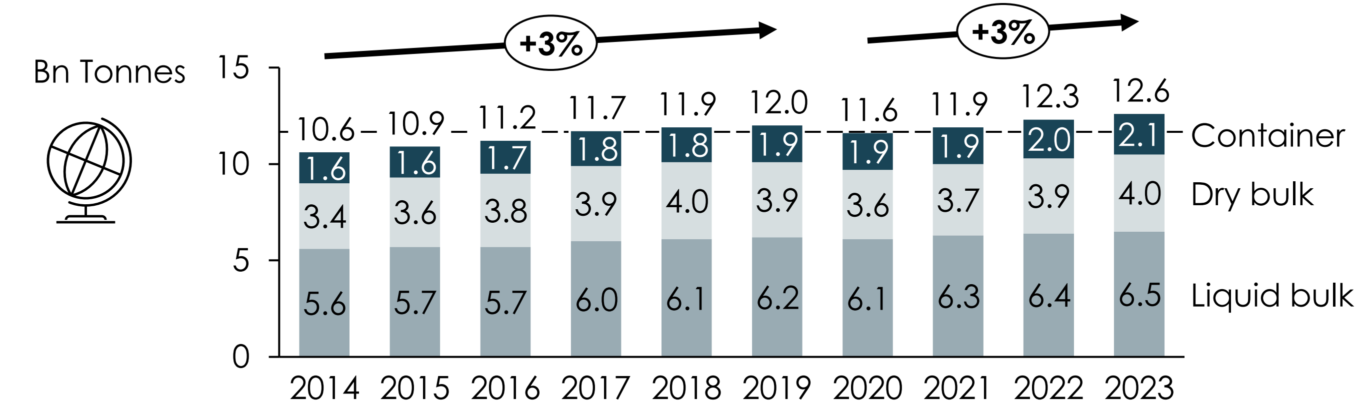
*Formal UN definition of East Africa has been used – excludes Eritrea, no information available
Sources: IMF, World Economic Outlook, April 2025

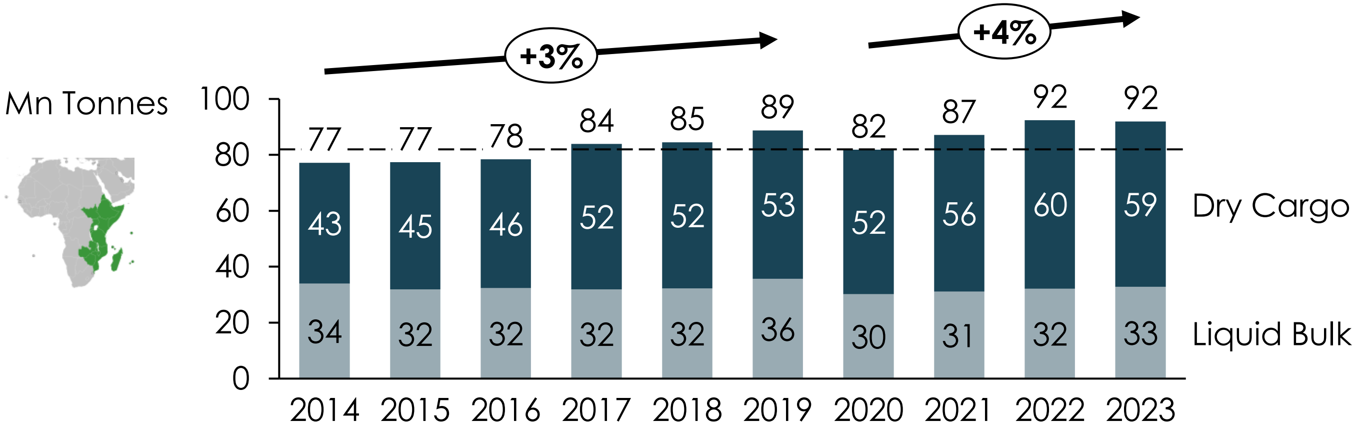
Total global seaborne trade continues to increase, both globally and in East Africa, covid related slowdown was quickly forgot

Key points

- Global seaborne trade reached 12.6bn tonnes in 2023, reflective of continued growth over the past 10 years – dry bulk, liquid bulk and containers have all contributed to the increases.
- Iron ore and coal are the largest two individual dry bulk commodities, with oil and oil products the major liquid bulk goods shipped.
- The impact of the COVID-19 pandemic in 2020 was soon overcome in 2021 and annual growth resumed thereafter.
- East Africa followed a similar trade growth trend to the global average but has slightly accelerated post-COVID (+4% CAGR).

Global (Loaded) **and East Africa** (Loaded and Unloaded) **Seabourne Trade**





Source: Clarksons Research, UNCTAD

Current System Shocks to the Economy and Trade

Illustrative

Worldwide | Africa | East Africa

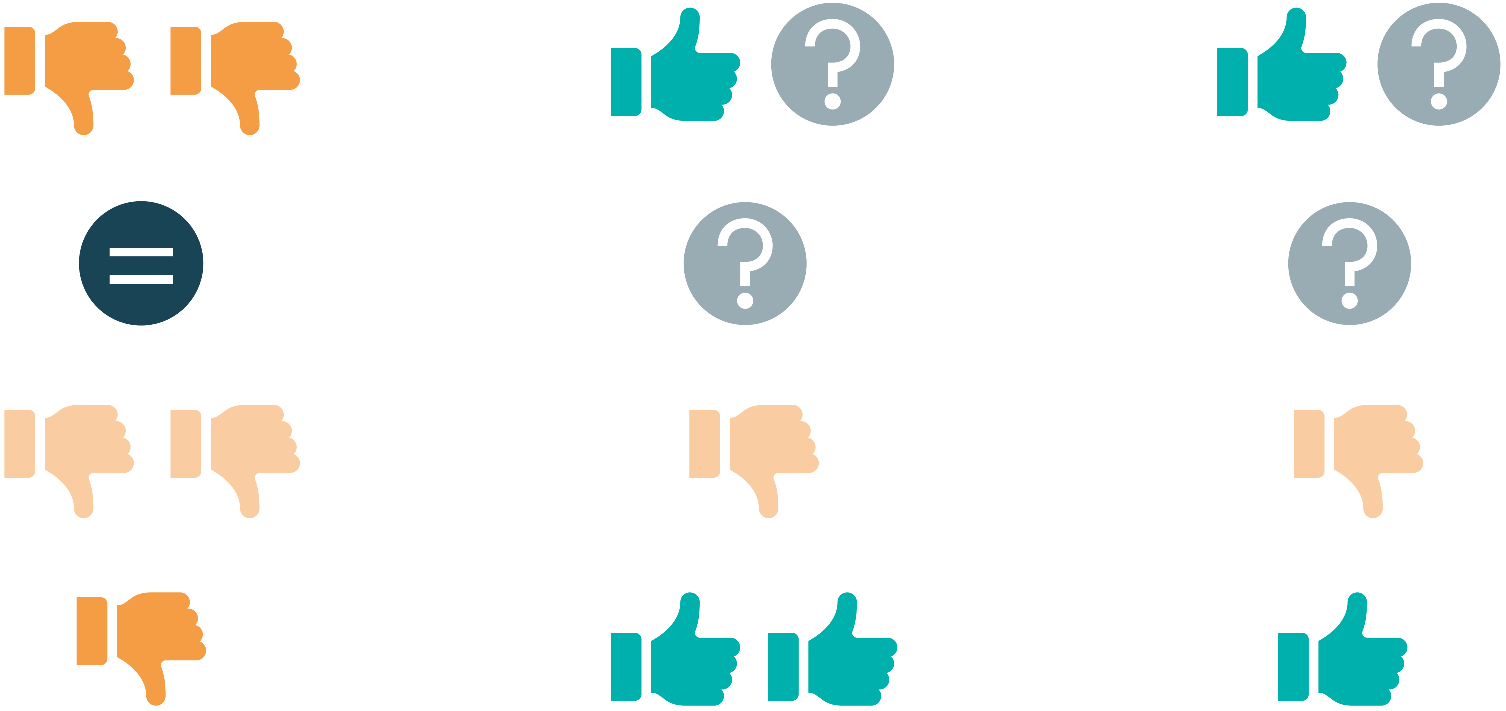
US Tariffs

Gemini Alliance

Hapag-Lloyd
MAERSK

Hormuz instability

Red Sea Crisis



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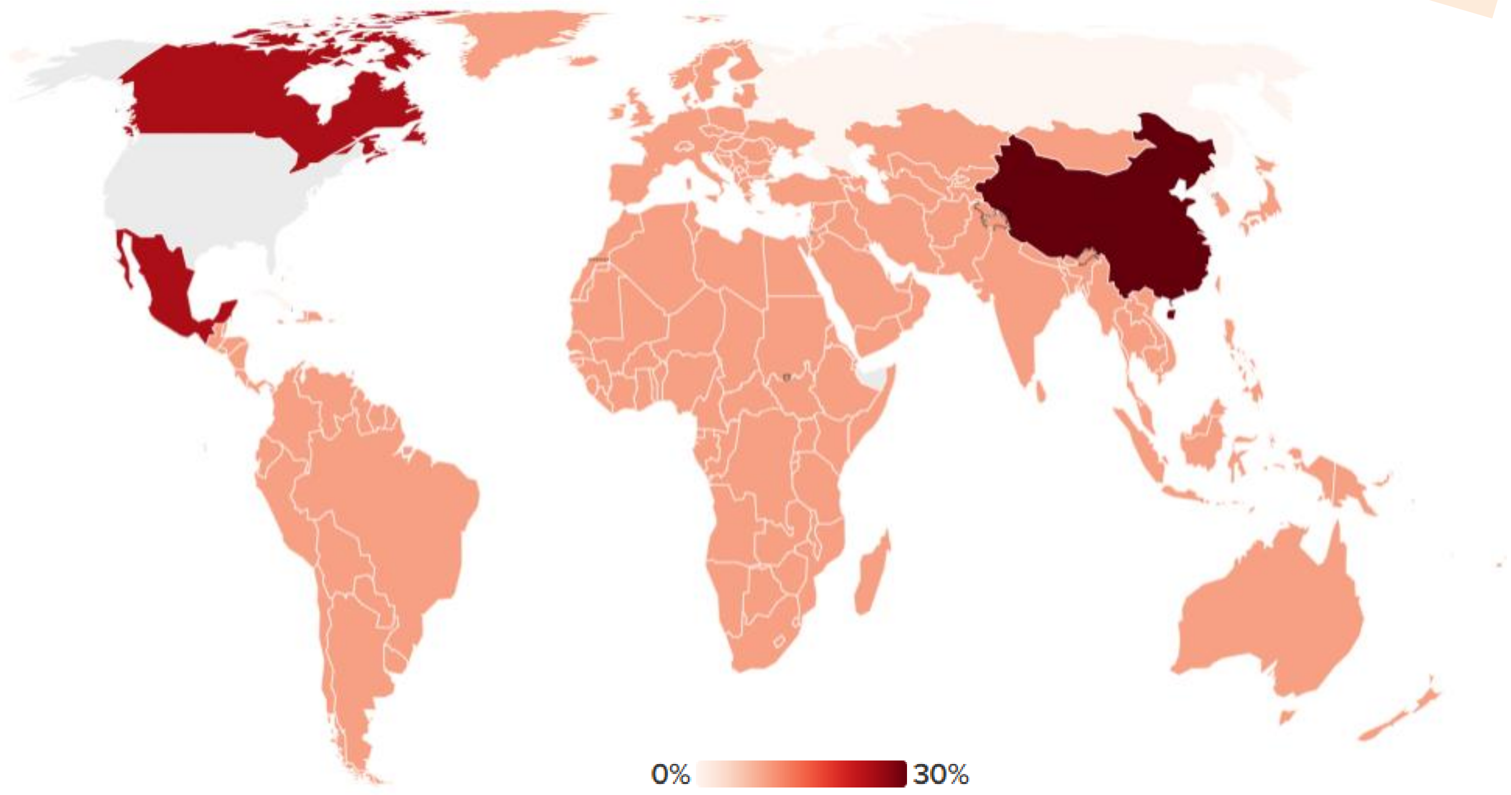
US import tariffs are expected to impact services especially from China to USA, but are unlikely to impact any container services in East Africa

Pre 1st of August

Key points

- **Uncertainty is the name of the game**. As of 2 April, announced tariffs have been paused while the US seeks bilateral agreements with individual countries. These deals are expected to reduce reciprocal tariffs, though not to pre-existing levels. The current suspension is set to end on 1 August.
- The announcement of **tariffs accelerated import volumes from China to the US in Q1** as companies rushed to get ahead of possible increases.
- Although **tariffs in East Africa are likely to rise** compared to pre-Trump administration levels, the **relative competitiveness may still improve compared to other markets**, potentially creating a net positive effect.
- The US-Vietnam deal also incorporated a "transhipment" clause: **attempts to disguise the true origin of cargo to avoid tariffs will be penalised with a 40% tariff**. However, no clear guidance has been provided on how this would be monitored or enforced.

Current US general import tariff levels – 09/07/2025



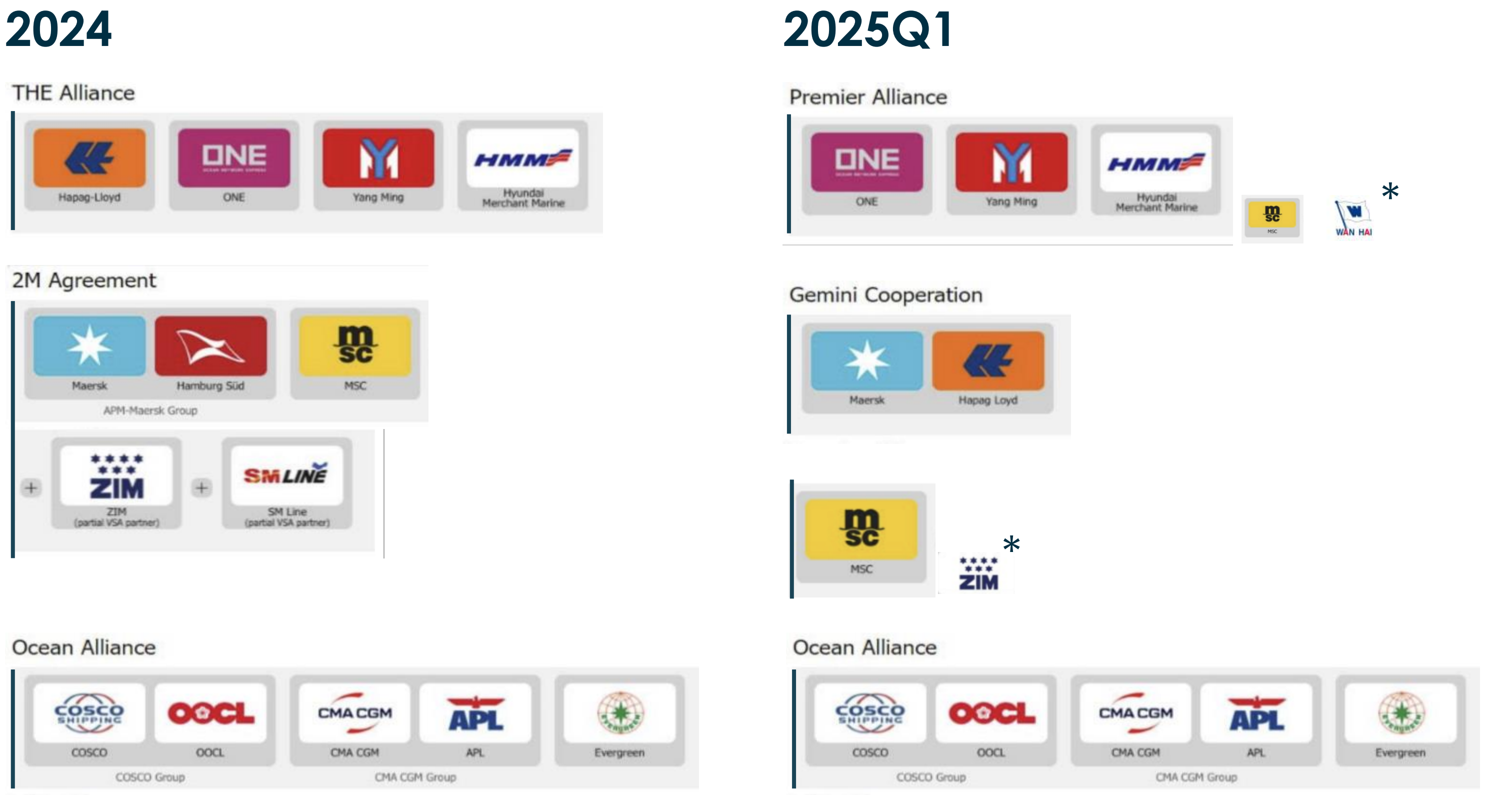
Note this tariffs show the current applied levels, pending bilateral negotiations to be finalised before the 1st of August deadline
Source: Atlantic Council

From 2M to Gemini – MSC as the first standalone Shipping Line, Gemini moves towards hub and spoke operations, rather than as many direct port calls

Key points

- In 2023, the world's two largest container shipping companies, Maersk and MSC, announced that they would not be renewing their alliance come the **end of their 10-year vessel sharing 2M agreement** in 2025.
- A new alliance has formed from former 2M alliance partner Maersk, and leading German carrier Hapag-Lloyd. The **Gemini Cooperation started at the end of Jan 2025**. **It's objective, to reach a 90% schedule reliability.**
- THE Alliance members of Ocean Network Express, HMM and Yang Ming need to fill the gap Hapag-Lloyd has left. The **renamed Premier Alliance has reached VSAs with MSC and Wan Hai** for certain routes.
- This confirms the view that **no line is yet big enough to fill the ULCS units alone**, MSC has formed a VSA with the Premier Alliance, to ensure that its ULCS ships can be filled sufficiently to take advantage of the economies of scale.
- **Further port rotations still likely be refined**, with different route versions for Red Sea Crisis and "normal" routing, although fundamentally the global locations of demand will still need to be served, regardless of by which shipping line and on which service.

Alliance Group Transition – 2024 to 2025



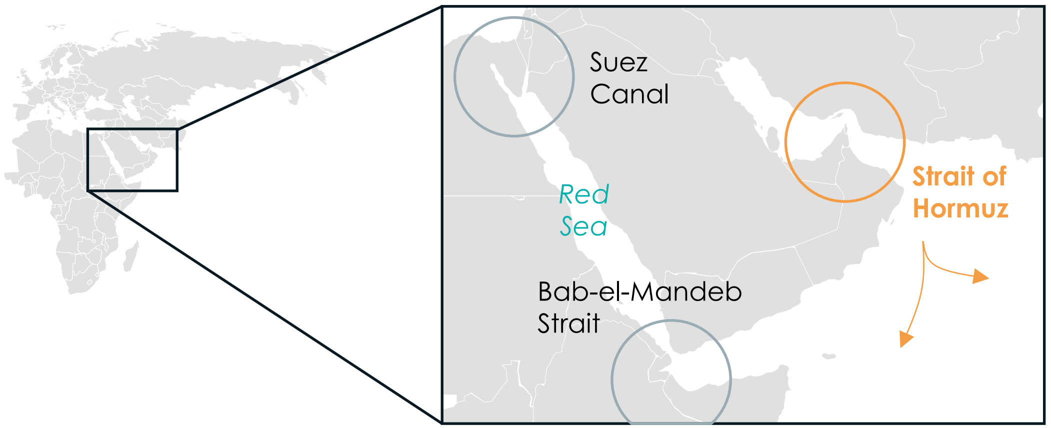
*Asia-Europe slot chartering
Alphaliner

Even though this crisis appears to have eased, recent tensions in the Middle East have threatened the closure of the Strait of Hormuz, leading to a significant impact on oil prices

Key points

- The **Strait of Hormuz is one of the world's most critical maritime chokepoints**, with approximately 30% of global seaborne oil and 20% of liquefied natural gas (LNG) passing through its narrow waters.
- It also serves as a **vital corridor for container traffic linked to major regional container hubs** such as Jebel Ali Port in the UAE.
- **Even the threat of a potential closure** of the Strait has significant global economic impacts—recent tensions **led to oil prices soaring by over 20%,** despite no direct disruption.
- **Should a closure materialise**, the resulting energy supply shock would trigger **severe inflationary pressures across global markets**, drawing parallels with the oil crises of the 1970s, which led to economic stagnation and soaring prices.

Strait of Hormuz location and energy related seaborne trade share



30%

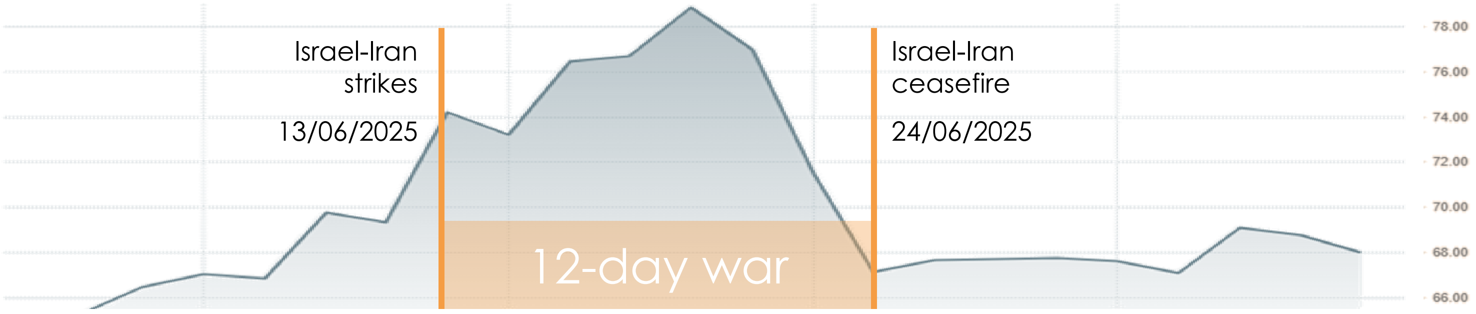
Global seaborne oil trade

20%

LNG

Global seaborne LNG trade

Brent Crude Oil Sport Prices - IB.1:IEU, 04/06 to 04/07, USD

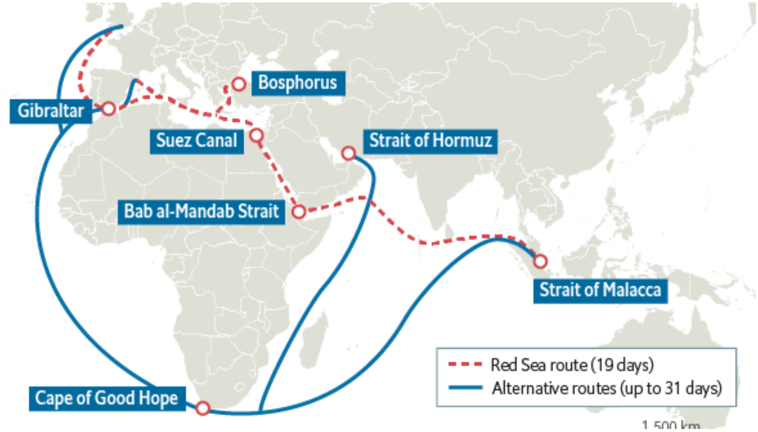


Source: Industry news, Financial Times, and Infrata analysis

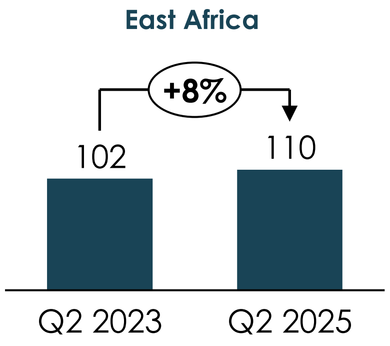
Shipping challenges in the Red Sea and the Suez Canal remain, and are expected to do so through 2025, “benefiting” African ports

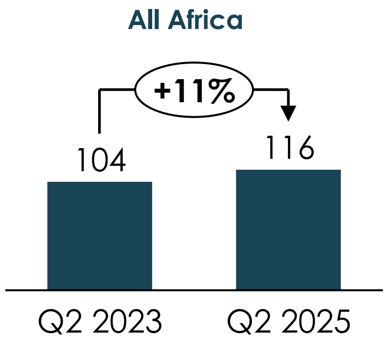
- **Challenges in the Red Sea continue to affect both ocean carriers and shippers.**
- Since the end of 2023, Houthi attacks on vessels transiting the Bab al-Mandeb Strait have forced shipping lines to divert around the Cape of Good Hope. Most recently, a bulk carrier was sunk—an attack that was filmed and used for propaganda purposes.
- Rerouting adds 8–10 days to transit times when the Suez Canal and Red Sea are considered unsafe or unsuitable for passage.
- This disruption has increased the cost of shipping, with higher costs ultimately passed on to end consumers.
- The Red Sea **ceasefire at the beginning of the year did not result in a return to the Suez Canal** for all vessels. It’s short duration, instability, and last shows of force form the rebels have decreased the confidence on a soon resolution.
- There is currently no clear timeline for a resolution to the Red Sea and Suez Canal security issues. Shipping lines are signalling in investor updates and quarterly reports that they **expect the area to remain unsafe throughout ‘25**.
- **The use of the Cape of Good Hope route has increased vessel calls and connectivity in the region**, specially in West Africa. Initial congestion caused by the shift has now largely eased.

Red Sea Route and current used route via Cape of Good Hope



Port liner shipping connectivity index (PLSCI), Q2 2023 – Q2 2025, 100 in Q1 2023

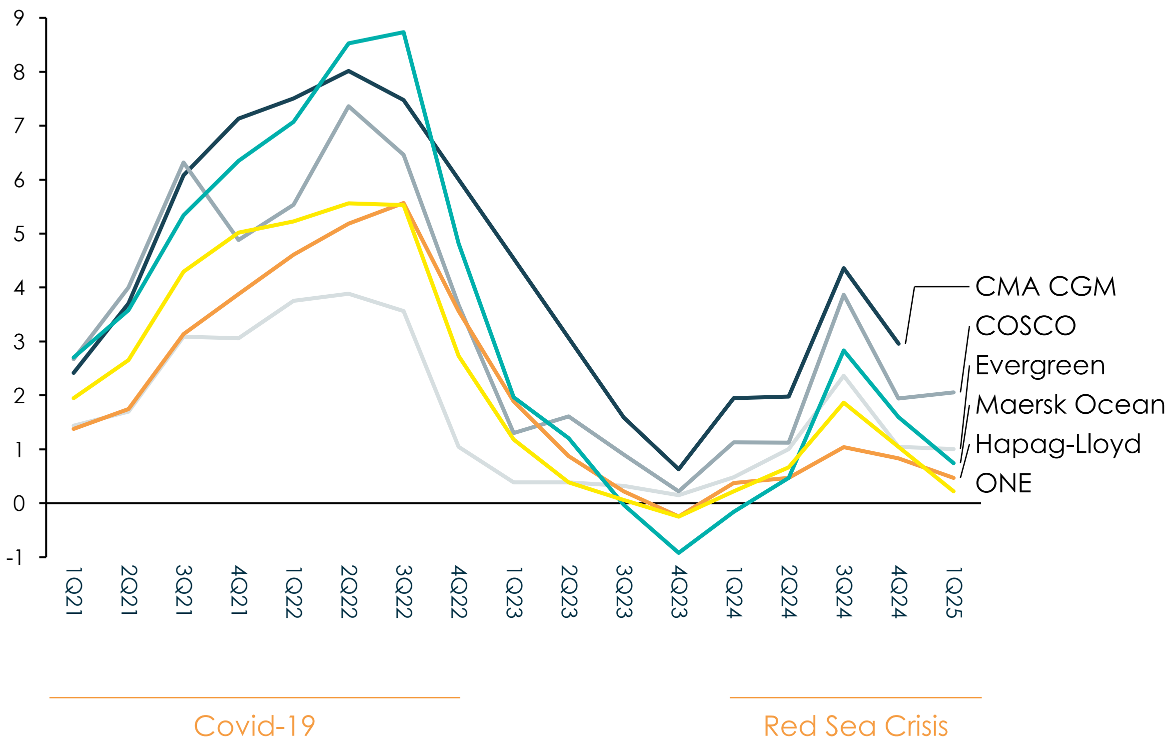




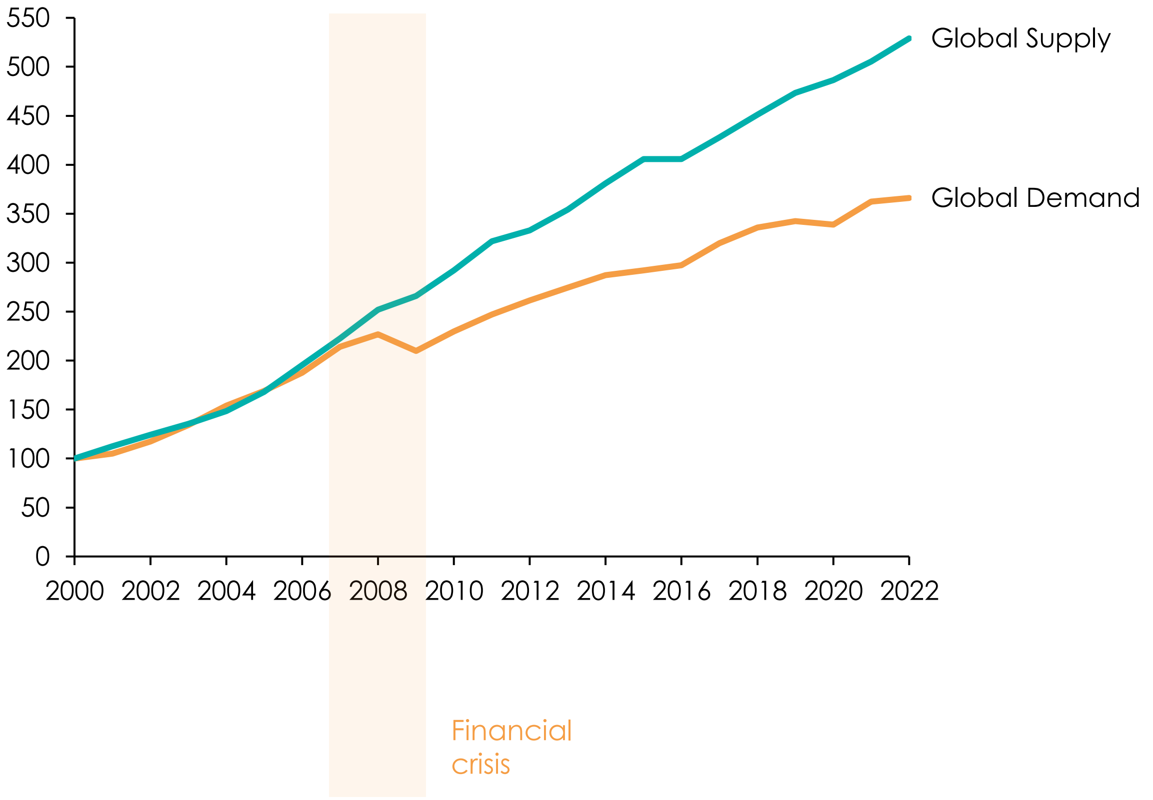
But - Ultimately, the big winners of the Red Sea Crisis are the Shipping Lines

Shipping lines saw high profits in 2021 and 2022 due to capacity constrains post-Covid – Currently a similar but lesser effect is observed with the Red Sea New ULCSs orders due to huge profits at same time global demand stagnates

Top Shipping Lines* EBIT, Bn USD, 1Q21 – 4Q2024



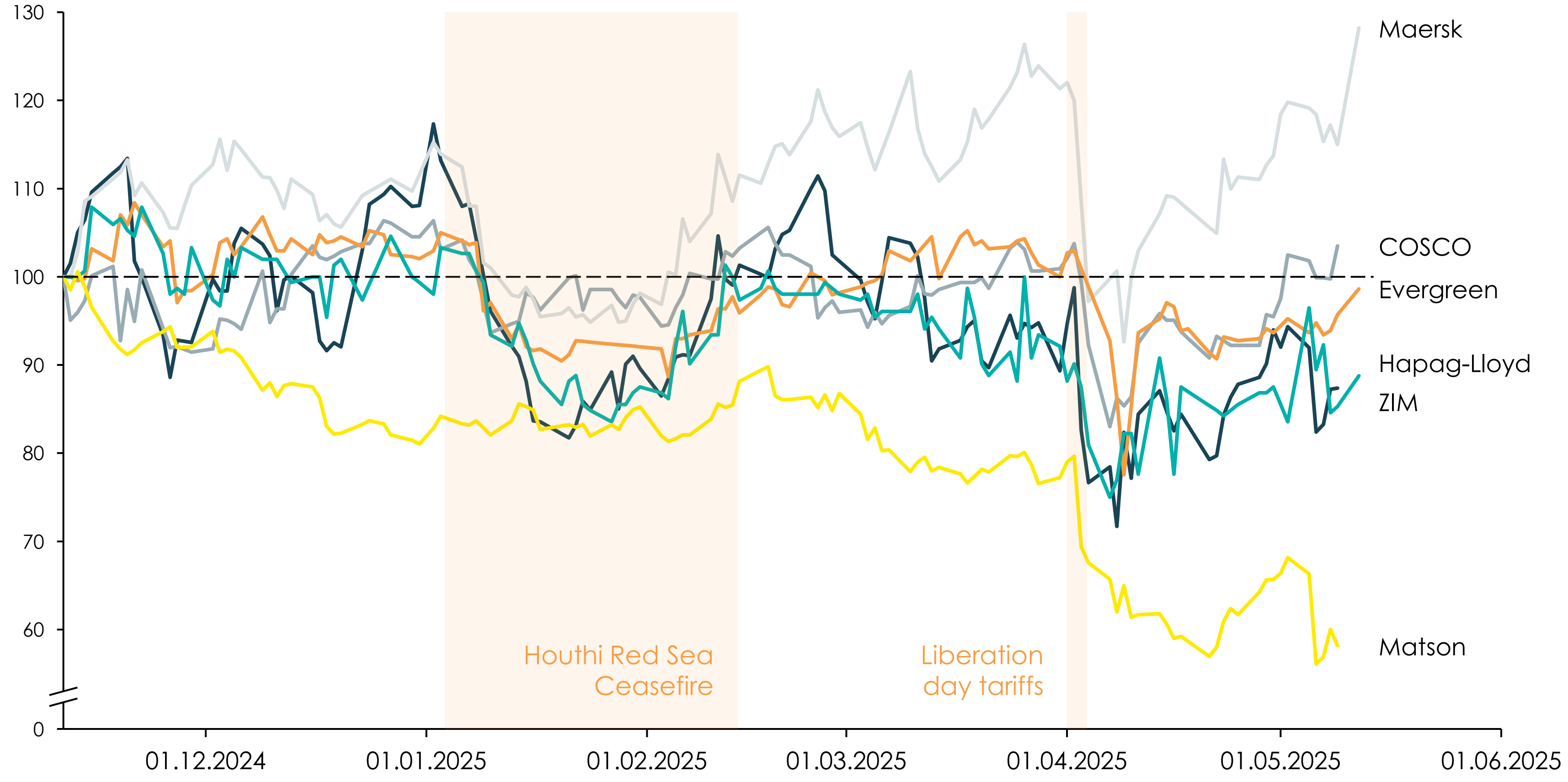
Global Container Supply v Demand Growth, 2000-2022



*MSC missing as private company is not required to publish financial figures
Source: Main Shipping lines Quarterly results, Clarksons

The impact of US Tariffs has not been fully seen yet in Shipping Lines financial figures, but can be seen in its trading price

Shipping Lines Market Cap, Base 100, 11/2024 – 05/2025



Red Sea Crisis

- A clear positive correlation is seen between the Red Sea crisis and the performance of shipping lines.
- The ceasefire announcement initially led analysts to downgrade company valuations, but as it became evident that the ceasefire was not holding, investor confidence and valuations recovered.

US Tariffs

- Analysts had clearly anticipated that the proposed tariffs would negatively impact shipping lines. However, market capitalisations have partially or almost fully recovered following a series of announcements reversing the tariffs declared on Liberation Day.
- The market capitalisation of the US-flagged shipping line Matson also reacted negatively to US's tariff threats and related announcements.

Source: Yahoo finance

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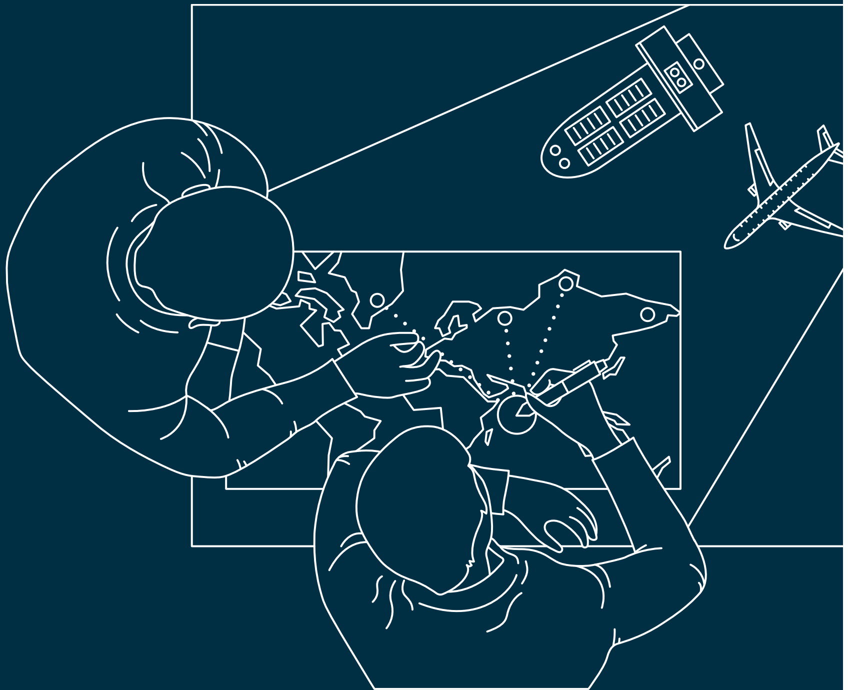

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The Maritime industry has agreed to a mandatory carbon price and clean fuel standard, setting on a path to net zero

IMO approves *net-zero* regulations for global shipping

- Draft regulations will set **mandatory marine fuel standard** and GHG **emissions pricing for shipping** to address climate change.
- These measures, set to be formally adopted in October 2025 before **entry into force in 2027**, will become mandatory for large ocean-going ships over 5,000 gross tonnage
- Still working on its definition, but one of the main points is to **create an IMO Net-Zero Fund**. The Fund will be established to collect pricing contributions from emissions. These revenues will **then be disbursed to reward low-emission ships and support the transition** to net zero.

However, there is still no clear path on how –which alternative fuel- will take us there

Fuel	Energy Density*	GHG intensity*
LNG	~65%	~70%
Methanol	~50%	~50%
Ammonia	~38%	~10%
Electric/ Battery	~6%	~30%
	the higher the better	the lower the better

*Compared to Heavy Fuel Oil, simplifications and averages have been made between Gray and Green solutions
Sources: IMO, Lloyd's register

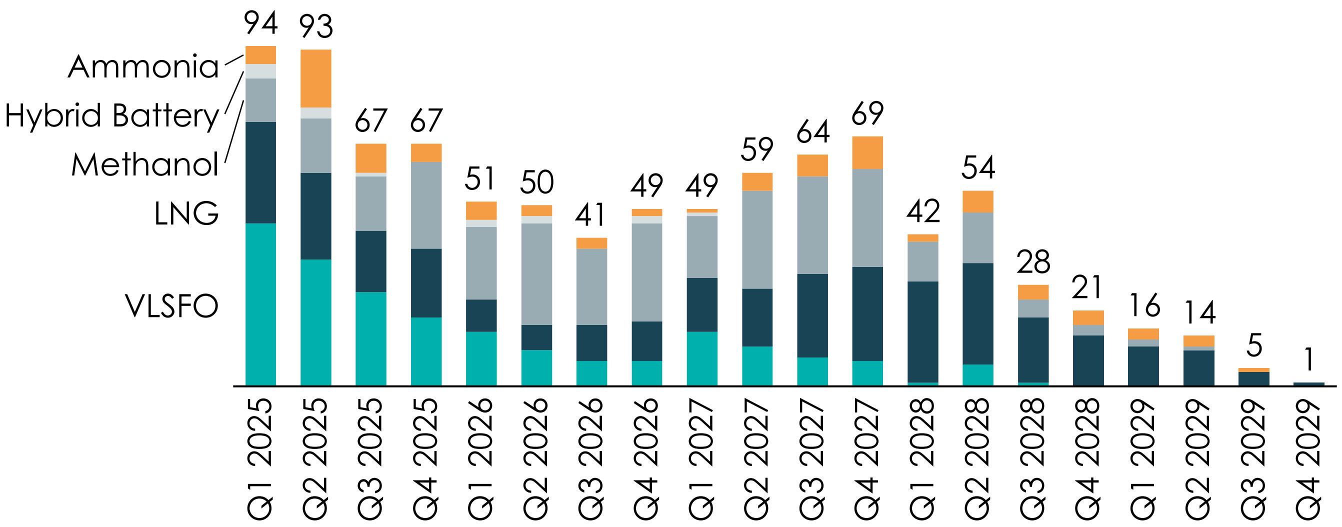
Shipping Lines are clearly betting on alternative fuels, but have diversified orderbooks, with a range of different fuelled-vessels on order

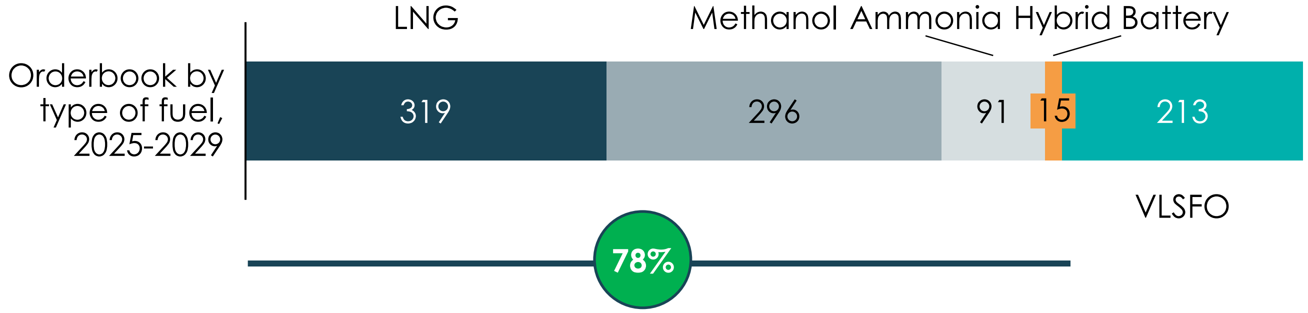
Key points

- **Dual fuel vessels**, those that can accept both alternative fuels and traditional liquid fuels, **are rapidly rising in popularity – making up ~78% of container vessel orderbook by number of vessels.**
- The balance is rapidly shifting away from vessels just accepting one type of fuel, **beyond Q1 2025 deliveries for dual fuel vessels are higher than single fuel vessels**.
- Despite the declines, single fuel vessels continue to be on orderbooks until at least 2029 further highlighting that **there is still no clear winner in terms alternative fuels**.
- Ammonia is also most likely to be paired with other alternative fuels on the orderbook, suggesting that there is uncertainty about its viability - not unfounded given that no production engine currently exists that can accommodate it.
- Despite popularity in other sectors, hybrid battery ships make a very small fraction of the orderbook, likely because batteries have limited application at current densities, and so are generally reserved for port operations.

Liner orderbook by fuel type & single/dual fuel vessel count comparison

Q1 2025-Q4 2029, as of 01/01/2025



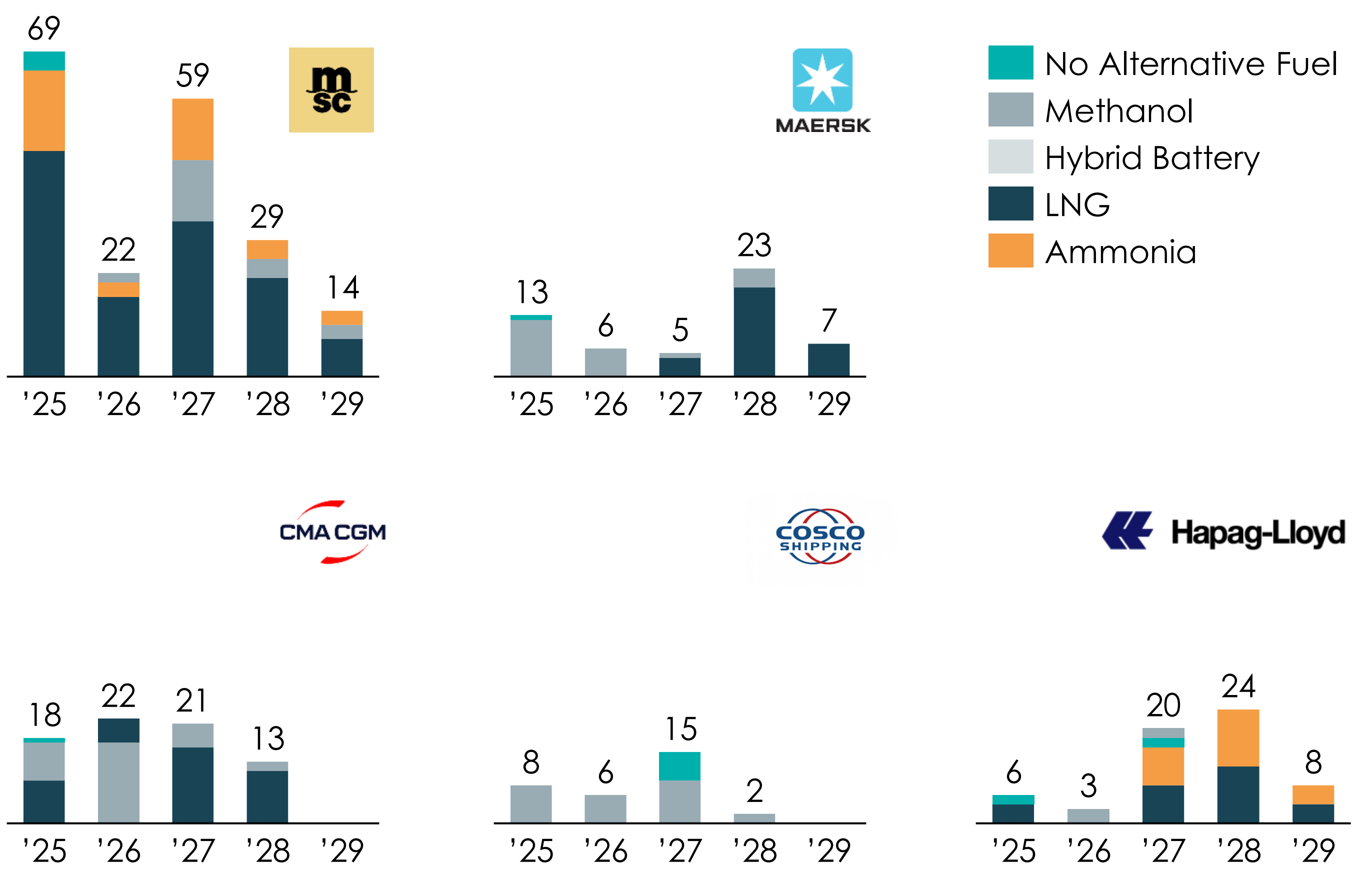


While liners have not picked a winner, they heavily favour LNG and Methanol engines at the moment – less uncertainty but less emission reductions too

Key points

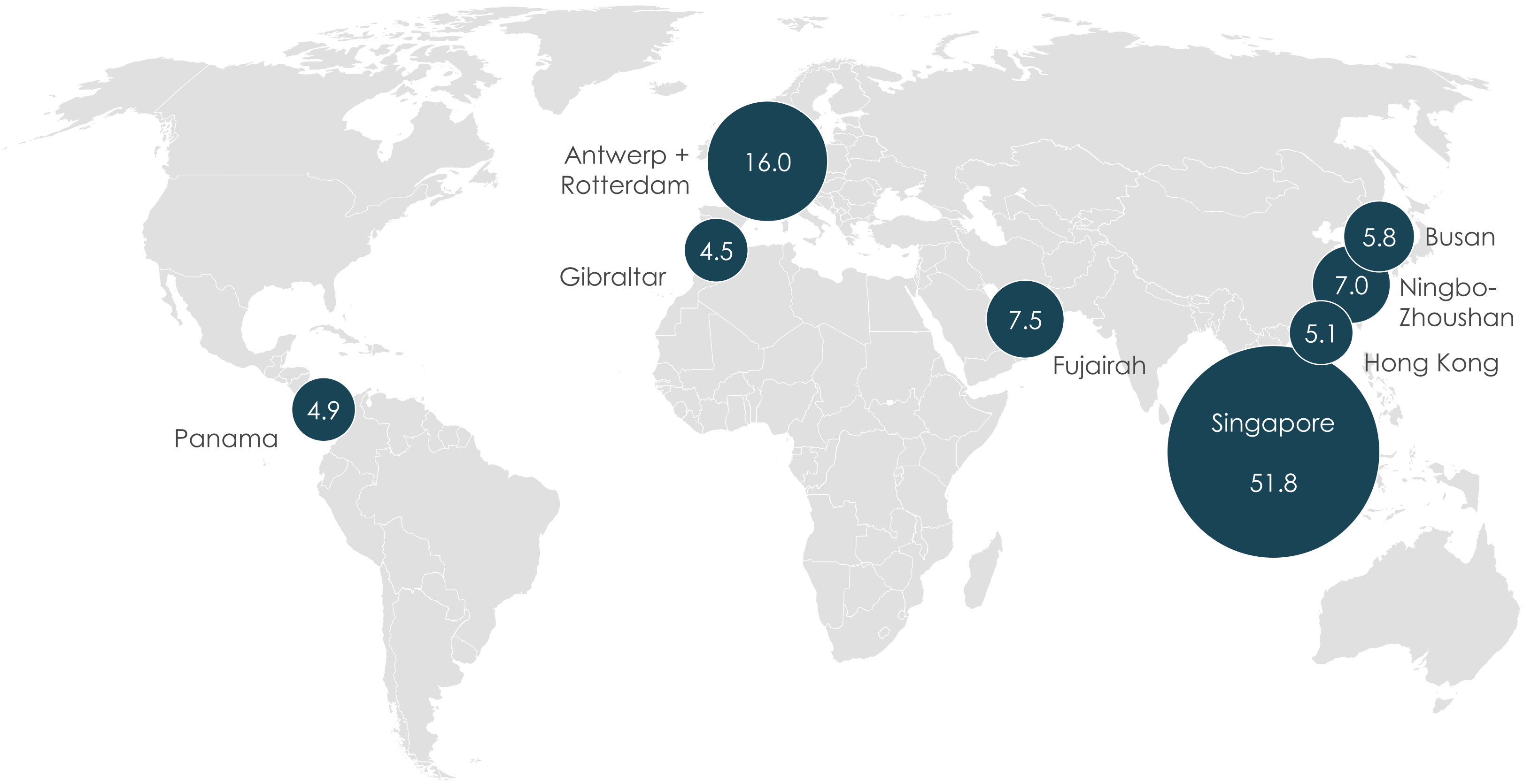
- It is clear from the diversity of orderbooks, that **no operator is sure which the 'best' fuel will be in the future**. All have diversified their investments, ordering a fleet capable of handling at least two fuels.
- Amongst the largest carriers, **ammonia investments are only being pursued by MSC and Hapag-Lloyd**, reflecting its perceived weaknesses relative to LNG and Methanol.
- Notable by their absence are single fuel engines. Despite the top 5 carriers representing the majority of the orderbook (61% of the top 20 lines) they have disproportionately few single fuel engines on order, representing 10% of the current orderbook.
- This demonstrates the uncertainty in the wider market. Smaller lines have less leeway to speculate on less proven fuels, preferring to stick with tried and test methods rather than switching future orders.
- Current orderbooks indicate that **firms believe LNG regulation is a distant prospect, or that a complete overhaul of LNG supply lines is possible**, because current production and use involves significant levels of pollution.

Largest 5* lines' orderbooks by fuel type – 2025 to 2029



The still defining changes on fuel types could represent an opportunity for emerging energy hubs worldwide

Main bunker fuel markets by quantity of fuel served – MT, 2024



Key Points

- Major bunker fuel markets today are primarily located near major port hubs and maritime chokepoints.
- This **pattern has emerged not due to proximity to fuel production, but** because ships tend to refuel where they are already stopping or waiting, maximising **operational efficiency**.
- The **shift towards emerging fuels** -often with lower energy density and potentially requiring more frequent refuelling- **could disrupt this pattern**.
- This evolving landscape presents a **hidden opportunity**, which many ports and regions are already pursuing.
- For example, Duqm (Oman) aims to leverage its abundant renewable energy resources to produce green hydrogen and ammonia at scale, positioning itself as a future hub for both heavy industry and marine bunkering.

Sources: Port Economics, Management and Policy (2022), OPEC, World Oil Outlook

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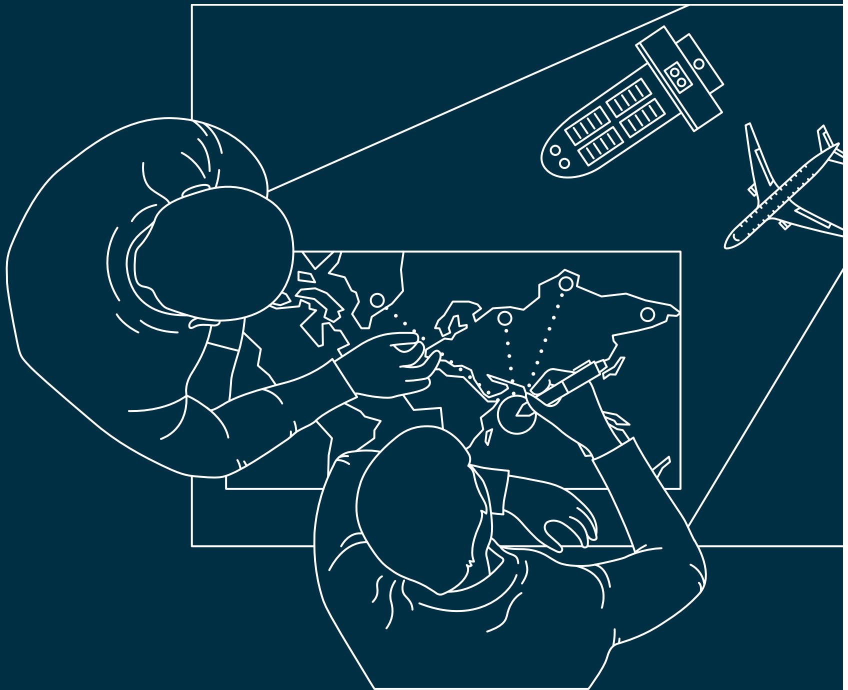

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Both the worlwide economy and energy transition have increased uncertanity for maritime transport – while change and adaptation requires important efforts, direct winners and hidden opportunities are available

- East Africa is one of the fastest growing regions in the world – The tariff war -threat and reality- has specially impacted US and Asian growth forecasts
- Total global seaborne trade continues to increase, both globally and in East Africa, covid related slowdown was quickly forgot
- US import tariffs are expected to impact services especially from China to USA, but are unlikely to impact any container services in East Africa
- Shipping challenges in the Red Sea and the Suez Canal remain, and are expected to do so through 2025, "benefiting" African ports connectivity
- Shipping Lines are clearly betting on alternative fuels, but have diversified orderbooks, with a range of different fuelled-vessels on order
- The still defining changes on fuel types could represent an opportunity for emerging energy hubs worldwide

Thank you

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