

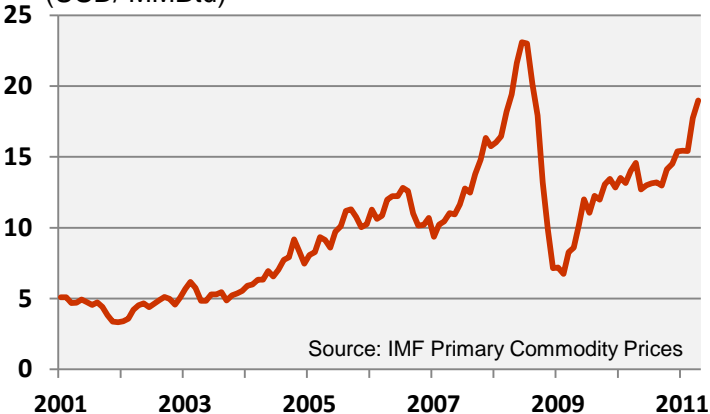
Future of the Shipbuilding Industry and the Function of OECD WP6

Shinichiro OTSUBO

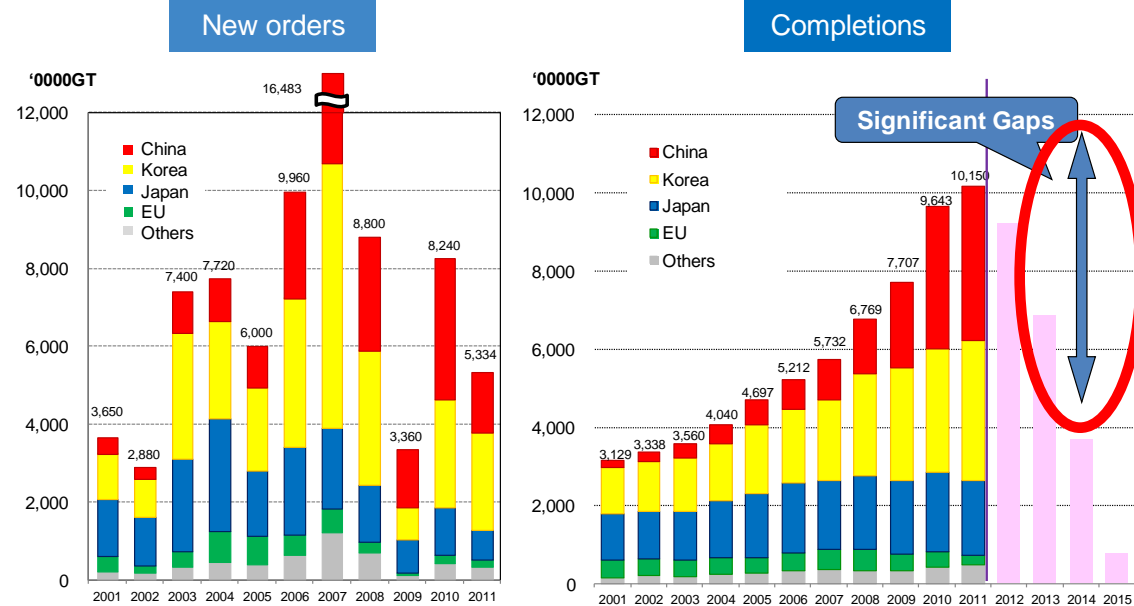
Ministry of Land, Infrastructure,
Transport and Tourism (MLIT), JAPAN

Price of crude oil

(USD/ MMBtu)



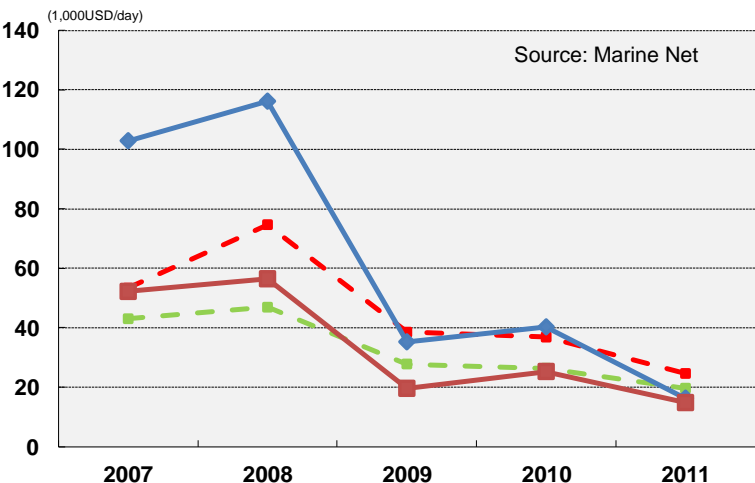
Future prospect for supply-demand gaps



Source: Lloyd's Register and Clarkson

Average charter rate

Tanker: 150,000DW (Green dashed line), 280,000DW (Red dashed line)
 Bulker: Capesize (Blue solid line), Panamax (Red solid line)



- ✓ Significant supply-demand gaps
- ✓ Increasing fuel cost
- ✓ Plummeting charter rates

Everybody wishes a market recovery....meanwhile,

WANT:

- While private financing shrinks, officially supported export credits may be helpful.
 - Wish to replace with less fuel consuming vessels....but facing higher initial cost, under cash shortage.
-

NOT WANT

- Shipbuilding overcapacity remains: some shipyards may be “artificially” sustained.
- Limited scrapping capacity: which may result in lower scrap sales value

OECD WP6

Traditional Work: Securing the normal competitive conditions

- Identification and progressive reduction of market distorting factors (e.g. government support measures)

This policy still remains valid, however:

Shipbuilding capacity in NMEs is now huge. Self-imposing guidelines or arrangements by WP6 member countries have less effects than before.

**New way of thinking
may be necessary**

On top of the traditional mission....

Cannot we promote innovation, in line with the overall OECD policy objective of Green Growth?

Shouldn't we do something that can be appreciated by the industries?

Cannot we create more favorable business environment, while keeping normal competitive conditions, for the industries?

We are open for other ideas for new approach, but so far....

Sector Understanding on Export Credits for Ships (SSU)

- Can be utilized as **an environmental policy instrument** (stimulating the innovation)
- Can provide **a flexible financing scheme**, relatively insusceptible to economic fluctuation, while keeping the level playing field.

This is why Japan proposed Green Ship under SSU

On the other hand, we are hesitant to pursue:

The logic that only the bureaucrats would understand.

- No appreciation by industry players within OECD.

WTO legal certainty, is it urgent?

Who will be filing the litigation against whom, at this stage?

We may consider it, if the industry survives this crisis.

Thank you for your kind attention.



MB

Maritime **B**ureau