# Malaysia's Maritime Industries Report (July 2023)

## Major Maritime / Shipping news

### (a) Economy

❖ MOT: Malaysia's shipping & maritime sector on course to be "greener"

- The Malaysian shipping and maritime industry are on track to become more environmentally friendly as the sector is preparing to adopt the use of sustainable marine fuel.
- Transport Minister Anthony Loke said the ministry as well as the Malaysia Shipowners' Association (MASA) and Malaysia Bunkering Association (MBA) and other shipping and industry players had started the discussions on the sustainable fuel.
- "This is the future trend and it's an area that Malaysia has to pursue. We're reactivating the National Shipping and Ports Council (NSPC).
- MASA chairman Mohamed Safwan Othman said the association had held discussions with Malaysian and international stakeholders on the adoption of sustainable maritime fuel.
- He said the shipping and maritime players were finding the right solution on the right fuel either by using methanol or hydrogen to replace the current fuel.
- The solution also includes ensuring that the shippers could purchase the sustainable fuel at a lower price instead of at a high price like the sustainable aviation fuel.

❖ Malaysia supports target to cut carbon intensity in international shipping

- Malaysia strongly supports the target to cut carbon intensity in international shipping by 40% in 2030 and 70% by 2050.
- Transport Minister Anthony Loke Siew Fook said it is in line with Malaysia's commitment to ensure the maritime industry is heading towards long-term environmental sustainability.
- IMO's work on developing a non-mandatory Maritime Autonomous Surface Ship (MASS) code to support the functional and operational gaps is laudable. In this respect, Malaysia supports IMO's role in taking the lead to address the rapid technological advancement in the development of autonomous commercial ships.

❖ NSPC to ensure local maritime industry remains competitive

- The reactivated National Shipping and Port Council (NSPC) will ensure that the local maritime industry remains competitive, said Transport Minister Anthony Loke.
- Loke said the main issues to be discussed at the NSPC meeting in two months are the direction of the maritime industry, addressing current issues and examining related policies to include **bank financing** as well as challenges related to the shipping industry ecosystem.
- The NSPC was first established in 2018 when Loke was then Transport Minister with regular council meetings held every three to four months.
- In Budget 2021, presented by then Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz, RM3.7 billion had been allocated under the maritime and logistics development scheme, the sustainable development financing scheme, the tourism infrastructure scheme and the public transport fund to develop the transport sector.

## (b) Investment / Partnership

❖ MISC group collaborates with global maritime leaders to develop future-ready maritime talents & next-generation ammonia engines

- In conjunction with the Malaysia Maritime Week 2023, MISC through its entities AET and Akademi Laut Malaysia (ALAM), operated and managed by Malaysian Maritime Academy Sdn Bhd, inked milestone Collaboration Agreements with WinGD and DNV respectively.
- The Collaboration Agreements between AET, ALAM, and WinGD aim to drive the development of Ammonia Engines for Ammonia Dual-Fueled Vessels, marking a historical milestone as the first of its kind in the world for deep-sea vessels.
- This strategic collaboration reinforces the Group's commitment to finding sustainable and safe transition pathways to zero-emission shipping operations, for MISC Group and the maritime industry's shipping operations.
- Towards accelerating the MISC Group's long-term strategy of being a green assets and solutions provider in the maritime industry, MISC has seen numerous collaborations being forged with like-minded industry players in the maritime ecosystem. The signed Collaboration Agreement between AET and WinGD further intensifies MISC Group's commitment to decarbonisation and is a step in the right direction towards MISC's ambitious long-term plan.

❖ Petronas, TotalEnergies, Mitsui Team Up on Asia Pacific's First Industrial CCS Hub

- Petronas, TotalEnergies, and Mitsui & Co, have agreed to explore a joint development of what is envisioned to be the first integrated carbon capture and storage (CCS) effort in Malaysia for industries in the Asia Pacific region.
- The strategic partnership demonstrates Petronas' commitment to position Malaysia as a regional CCS hub to capture opportunities in the energy transition with a focus on reducing the carbon footprint of our operations to continue delivering the energy needs of today.
- In Asia, where countries such as South Korea and Japan have pledged for Net Zero Commitment in 2050, the development of a Carbon Capture and Storage (CCS) value chain for hard-to-abate industrial emissions will require a specific regulatory framework and significant investment, according to TotalEnergies.

❖ New energy roadmap to power economy

- National Energy Transition Roadmap (NETR) was launched by Economy Minister Rafizi Ramli in Kuala Lumpur on Thursday (July 27), with Phase 1 containing 10 flagship catalytic initiatives, which will open up investment opportunities of RM435bil to RM1.85 trillion by 2050.
- Part one of the NETR comprises 10 flagship catalytic projects based on six energy transition levers, namely, energy efficiency; RE; hydrogen; bioenergy; green mobility; and carbon capture, utilisation and storage or CCUS.
- Part two will then focus on establishing the low-carbon pathway, national energy mix and emissions reduction targets as well as the enablers needed for the energy transition.
- The NETR also aligns with Sarawak's efforts in pursuing green energy and decarbonisation. The roadmap also opens up the hydrogen gateway in Sarawak as the state implements projects to emerge as the country's hydrogen hub and puts in place the framework of carbon capture and storage (CCS) so that catalyst projects could be implemented within two year.

## (c) Project development

### I. Offshore Support Vessel (OSV)

❖ OSV segment is large and fragmented

- The current upbeat momentum in the O&G industry, with the increase in offshore activities, could provide the right environment for some of the services companies in the industry, including OSV players, to consider mergers and acquisitions (M&A), as asset-heavy businesses need scalability to drive efficiency.
- Malaysian OSV Owners Association (Mosva) represents 44 members and associate members, which own 266 vessels. Recently, Mosva and Petronas renegotiated higher daily charter rates for the industry based on the latter's Cost Reduction Alliance 2.0, or Coral 2.0, a cost-optimisation exercise that commenced in 2015 and was slated for a five-year period.
- Mosva also successfully negotiated an increase in the of life span of vessel classes such as anchor handling tugs in Petronas contracts to 20 years from 15.
- Some OSV players, such as Perdana Petroleum Bhd, have turned the corner. For its financial year ended December 2022, Perdana chalked up a net profit of RM11.38 million on revenue of RM196.63 million. Other companies such as Alam Maritim Resources Bhd — a PN17 counter — are still formulating a regularisation plan.

### II. Naval vessel & High-Speed Boat (FIC / FCB)

❖ Contenders for Malaysia's LMS Batch 2 tender emerge at LIMA 2023

- Apart from making progress with its troubled LCS programme, the priority for Malaysia's navy right now is the next three Littoral Mission Ships (LMS).
- Malaysia signed contracts for two ATR 72 MPA aircraft and three Anka-S MALE UAVs at LIMA 2023 in Langkawi. However, the naval competition attracting the greatest attention at the exhibition was a second batch of Littoral Mission Ships (LMS).
- Among contenders that showed their proposed design for LMSB2 during LIMA23: STM (Turkey) Dearsan (Turkey), Tais (Turkey), HHI (Korea), Edge (UAE), Fassmer (Germany), Damen (Netherland) and Fincantieri (Italy).
- Under the previous contract for first batch of LMS, the Royal Malaysian Navy (RMN) received four LMS from Wuhan Shipyard in China in 2020-22. Indeed, two of these 700t Keris-class vessels were present at LIMA, but sources told the 68.8m-long boats are not performing well.

❖ Stop the rot, fortify nation's defence, says former navy chief

- Former navy chief K Thanabalasingam says Malaysia must not repeat past mistakes in procurement, awarding of contracts and follow-through of plans.
- The acquisition of military and security assets needed a proper development plan, considerable time, an adequate budget, and manpower trained to handle increasingly sophisticated equipment and software.
- There has been no concerted effort to follow-up on development plans, with many procurement programmes, like naval shipbuilding, going awry in the past three decades. He called on the relevant agencies to practice accountability by not awarding procurement contracts to undeserving parties.