



SEMAPHORE

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Climate Change Poses Risks for Shipping

Shipping and the insurance industry face significant risks from the impacts of climate change, John McKelvie and John Lucas of the New Zealand Insurance Council told delegates at the MLAANZ New Zealand Branch Conference.

In an address entitled “Risk & Resilience: Insuring the Future of Shipping”, Messrs McKelvie and Lucas pointed to the potential for sea level rise of between 15 centimetres to 25 centimetres by 2030, of 35 centimetres to 66 centimetres by 2060 and somewhere between 78 centimetres and 1.55 metres by 2100, which had implications for ports.

A United Nations Conference on Trade and Development [guidebook](#) outlines the three types of mitigation and response measures that are needed for ports, namely:

- strategies before the disruption materialises that anticipate, plan, prepare and forecast future scenarios
- strategies during the disruption such as protocols and emergency responses
- medium-to-long-term mitigations once the disruption has occurred

For shipping itself, larger vessels are creating greater concentrations of casualty risk and liabilities, with fewer but more severe incidents. As ships grow in size and cost, the choice of fuel type becomes critical – but with a 20-year lifespan it is a difficult decision to make for shipowners.

For New Zealand, being small and not near the major Northern Hemisphere east-west shipping routes, decisions by the major shipping companies determine what “we” have to live with.

For the local insurance industry, resilience is determined by what happens on land, with concentrations of risk in low-lying conurbations. While the total insurance market in New Zealand is worth NZ\$7.93 billion, the marine market (hull and cargo) is only NZ\$162 million – ie, 2%.

On a global scale, marine insurance is well diversified, with a balance of large markets with expertise and smaller local markets with local knowledge. However, the industry is facing higher risk from casualties due to the increased size of vessels, with the changeover to new fuels leading to greater risk of breakdowns and severe storms at sea also posing risk.

Summing up the top issues facing both New Zealand exporters and insurers regarding shipping, Mr McKelvie pointed to the decarbonisation of shipping and new environmental regulations, along with geopolitical tensions. Work and skill shortages are becoming more important factors, along with fuel price increases and an increasing need for digital skills. Much of the fate of both industries locally are tied up with how Australia deals with these issues.

In terms of societal change, he said the biggest challenge New Zealand is going to have to face is the submergence of many of our Pacific Island neighbours and the increase of population in the North Island.

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