

COLLABORATION IS KEY – ESG FOCUSSED JOINT VENTURES ARE ON THE RISE IN SHIPPING

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On 23 March 2023, we published part two of '*The Sustainability Imperative*', our multi-layered investigation into the impact of environmental, social and governance ("ESG") considerations on the shipping industry.

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Examining ESG issues through the lenses of finance, regulation and technology, and drawing on a weighty survey of industry participants, the first edition of the report found that emissions reduction had become shipping's main priority – even if how to do so was still hotly contested.

Just over two years later, the industry has a better idea of the trade-offs necessary to achieve net zero, although most of the practical work still lies ahead and regulatory and technology uncertainties remain. This new research seeks to understand how attitudes have evolved, who is shaping today's ESG agenda and how sustainability squares with new geopolitical challenges.

One of the key findings in '*The Sustainability Imperative – Part 2*' is that shipowners have become more collaborative. In 2021, two-thirds said they would like to form partnerships to pursue innovation. Now, 56% are already in an ESG-linked tie-up. Most of these partnerships have been with private equity firms, renewable energy companies or other shipowners and almost all (94%) reported tangible progress as a

result.

Understandably, larger companies are more likely to engage in such partnerships but even among the smaller shipowners surveyed, those with revenues up to US\$500m, almost half have done the same.

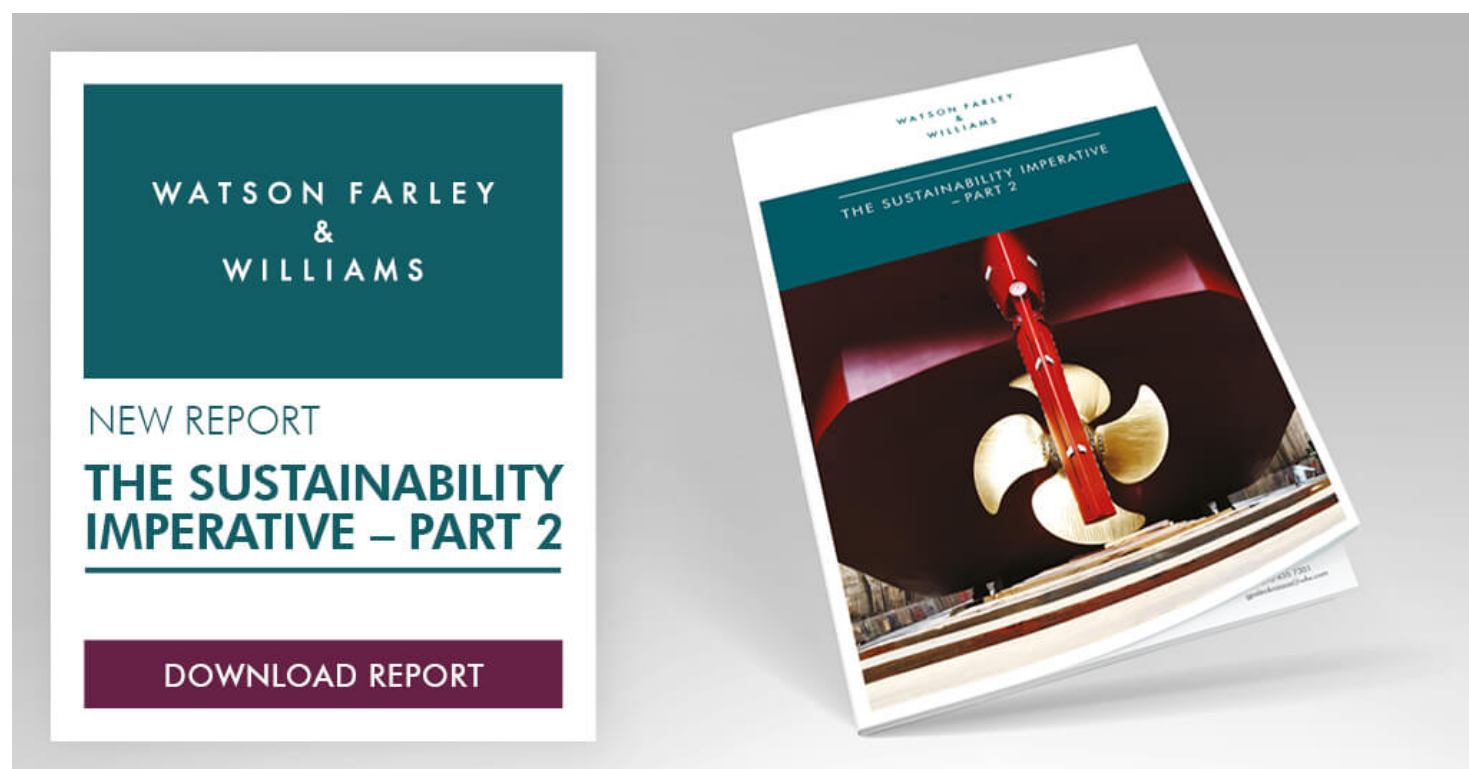
Even among the 44% of shipowners who haven't begun a sustainability-focussed tie-up, the will to do so is there, as almost half say they are currently going it alone because they can't find a suitable partner. This may change as more reach out beyond the industry. Two years ago, other shipowners were the most popular choice of partner; now, more than half of tie-ups are with private equity and energy players.

"It is therefore important to retain advisors like WFW who understand shipping, the technology being developed, current market trends and international corporate and commercial law."

All this activity has kept the Corporate Maritime team at Watson Farley & Williams ("WFW") busy. The range and type of joint ventures we have advised on to explore ESG related activities has differed from project to project. There is no one-size-fits-all solution, however in all projects a balance needs to be struck between legal protection and commercial flexibility. Alongside more traditional incorporated joint ventures, we are also advising unincorporated joint ventures, partnership arrangements, co-operation agreements and technology testing arrangements. We are also advising on these in multiple jurisdictions across the world. What is clear is that the particular legal issues and risks associated with each tie-up can differ from project to project. It is therefore important to retain advisors like WFW who understand shipping, the technology being developed, current market trends and international corporate and commercial law.

The Sustainability Imperative – Part 2 is built around a survey of circa 500 decision-makers in shipping, with 60% from C-suite level and the rest from senior management. Financiers such as banks and lessors comprise 46% of respondents, while charterers account for 14%. Shipowners and operators form the remaining 40%, and are broadly representative of container, bulk, tanker and other ship types. Respondents from Europe, the Middle East and Africa and those from Asia-Pacific comprise 44% and 37% of the survey respectively, with the rest from the Americas. Further investigation was conducted via eight in-depth interviews with senior figures from shipowners, commodities traders, financial institutions, trade bodies and the legal profession.

If you would like to download a copy of *The Sustainability Imperative – Part 2* please visit our website [here](#). Should you have any questions regarding the report or concerning a joint venture you might be considering in this sector, please get in touch with one of our professionals below who would be happy to discuss your project with you.



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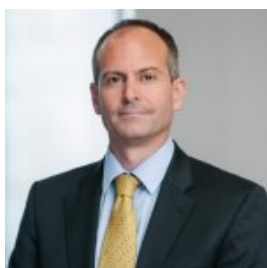


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