NAVIS
ACADEMY

Maritime 2024 Review

and

Future Predictions

Preface

Dr. Özkan POYRAZ, Founder

> *" The crises, conflicts, wars, and even pandemics affecting the world have now reached a scale capable of paralyzing global life and trade. All these developments create a dynamic that negatively impacts various aspects of the maritime industry.”*

Looking back at the first months of the new year, we observe that the global political, military, and economic challenges we anticipated at the beginning of the previous year have expanded into broader areas. The crises, conflicts, wars, and even pandemics affecting the world have now reached a scale capable of paralyzing global life and trade. All these developments create a dynamic that negatively impacts various aspects of the maritime industry.

We can say that the developments following the U.S. elections have pushed the global problems that began in previous years toward a more complex and unpredictable landscape, challenging our conventional ways of thinking.

In this context, we must address the control of maritime routes, global and regional sea trade, and the increasing risks and environmental challenges affecting ships, cargo, and freight within a comprehensive, continuous, and integrated system from a global to a local perspective. Otherwise, navigating the complexity of cause-and-effect relationships will make it nearly impossible to reach meaningful conclusions.

As NAVIS Academy, we strive to maintain an impartial, factual, and realistic stance through our articles, weekly market reports, and annual assessments, shedding light on the maritime industry and closely monitoring emerging risks. NAVIS Academy has become a key open-source information platform in this regard, and its Maritime 2024 Review and Future Projections Report provides a concise summary of significant commercial and strategic maritime developments in 2024 while offering perspectives on 2025.

We always welcome your feedback and encourage you to share your thoughts on our articles and reports on our website.

2024 Assessment and 2025 Predictions

Engin KOÇAK

NAVİS Author

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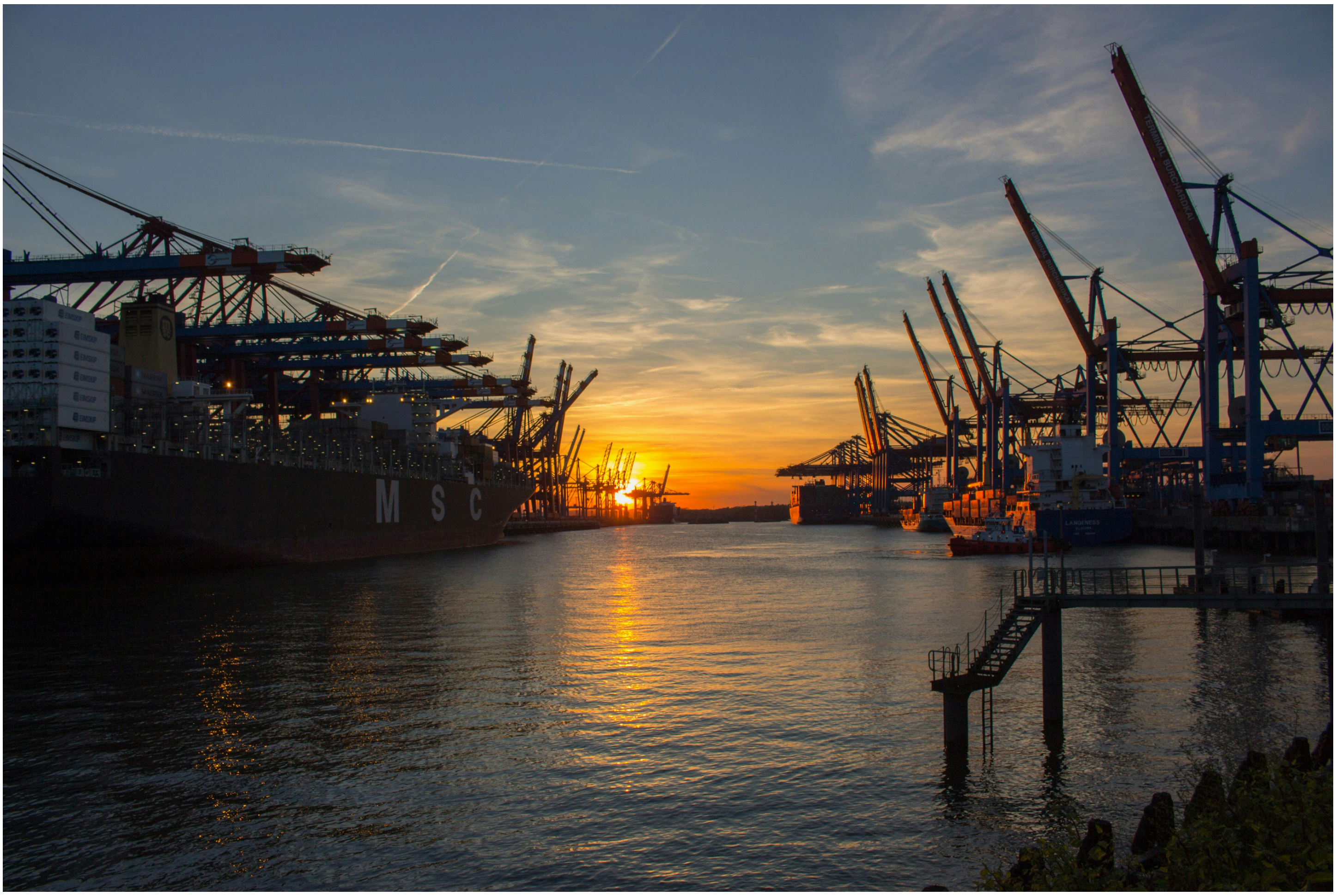

The Baltic Dry Index (BDI) began the year around 2,100 points and closed at nearly half that, ending at 997 points.

I wish all the esteemed readers of Navis Academy and the entire maritime community health, peace, and prosperity in 2025.

For the past three years, in addition to the weekly articles published on this platform, we have shared our reflections on the overall trends of the past year and our predictions for the year ahead.

In this article, I want to try something fun… Let's look back at what I "predicted" at the beginning of last year and compare it to what actually unfolded in 2024. If our forecasts turned out to be reasonably accurate (in other words, if they were well-grounded), we'll draw some confidence from that and venture into making predictions for 2025.

Let's start by refreshing our memory with a quick review of the numbers for 2024.

The Baltic Dry Index (BDI) began the year around 2,100 points and closed at nearly half that, ending at 997 points. Last week it managed to recover to 1,072 points.

While it climbed to 2,450 points in February and returned to 2,100 points in September, the BDI experienced a weak September peak and subsequently began to decline, influenced by uncertainties surrounding the U.S. elections. Similar to the previous years, these declines will likely continue until at least the end of January. Let's keep that in mind.

Looking at the sub-indices, the Baltic Supramax Index (BSI) started the year at around 1,200 points but, like the BDI, ended the year with a decline, closing at 923 points. The BSI registered further losses towards 884 points during the first week. In 2023, the BSI had reached its peak in the final quarter, while in 2024, it hit its annual high of 1,500 points in April, only to record a steady decline thereafter.

The Baltic Handysize Index (BHSI) entered 2024 at 879 points and closed the year at approximately 618 points. Just like Supramax tonnge, during the first week it registered losses and ended the week at 549 points.

The BHSI hit its lowest point in February at 565 points and peaked in March at 800 points, only to gradually lose altitude, much like the Supramax tonnage. Typically, it would have peaked in December last year and in early November the year before. However, no such movement was observed this year, which was not a promising sign.

In the coaster segment, no one was satisfied throughout the year. The ISTFIX, which entered the year at 800 points, closed in the 600 range. After a sharp decline between April and August, the index recovered somewhat between September and November, only to begin its descent early at year-end, entering 2025 on a weak note.

The Baltic Dirty Tanker Index started the year in the 1400-point levels and closed at 927 points in the tanker market. Meanwhile, the Baltic Clean Tanker Index began at 925 points, climbed above 1400 by the end of January, but gradually lost altitude throughout the year, closing at 625 points.

Now, let’s look at the comments we made at the end of last year and see how accurate we were.

It seems that the BDI has indeed followed the decline pattern we mentioned, particularly until February. We were somewhat optimistic about Supramax and Handysize, but as explained above, things did not progress in that direction after the first quarter, and there was no significant advantage from entering the new year at a good level. As such, a low or downward entry may not mean much for the rest of the year this year, as changes are still on the horizon.

While we correctly predicted that interest rate cuts would be a significant topic in 2024, their impact on commodities and trade was limited, and unfortunately, our predictions regarding their effect on the freight market did not fully materialize. The Fed's slower-than-expected rate cuts and the increasing global tensions can be cited as reasons for this. In addition to rate hikes, China's first economic stimulus package and the European Central Bank's start of rate cuts were also significant developments this year, but their effects remained limited.

The same scenarios are likely to continue this year. Donald Trump's return to the Oval Office suggests a more expansionary approach to interest rates. However, Trump is expected to adopt a more protectionist stance on trade with China and Europe. This raises concerns for us that although there may be positive expectations regarding interest rates and economic stimulus, these might not fully translate into trade outcomes.

A small note on container ships and tankers: As we pointed out in our 2024 evaluation, the Houthi threat in the Red Sea has supported freight rates, as vessels began avoiding the Suez Canal due to the attacks. According to recent statistics, Suez Canal crossing revenues have decreased by 60%, leading ships to opt for the Cape of Good Hope, which results in more ton-miles. However, if Trump's arrival leads to intervention and halts the Houthi attacks in Yemen, this situation could negatively impact container and tanker freight rates.

In tankers, another essential point is that Europe and the United States have started targeting Russia's shadow tanker fleet more strictly. Ships not yet subject to sanctions by the West are rapidly being scrapped. As even scrapping of sanctioned ships is very problematic and scrap buyers have been cutting prices by half. If this situation escalates further, it could lead to a decline in the sale prices of tankers, potentially affecting other tonnages as well. On the other hand, fluctuations in global energy demand are also expected.

At the beginning of 2024, we predicted that the skimming layer on top for tankers wouldn't thin quickly, and while freight rates did indeed experience a significant pullback in the second half of the year, our forecast held true for about 6 months. However, there is still a substantial premium in asset prices, and it wouldn't be surprising if that were to fade this year.

At the beginning of 2024, we mentioned that the order book in the dry bulk market wouldn't have a significant impact, and that still holds true. Carbon taxes and the EU Emissions Trading System (ETS) have indeed been more discussed, but there hasn't been any measurable impact on freight rates. However, the order book remains at substantial levels in sectors like container ships, tankers, LNG carriers, and PCTCs (Pure Car and Truck Carriers).

In the dry bulk sector, on top of the Russia-Ukraine conflict last year came Turkey's grain import restrictions introduced in June, and Russia's export restrictions on grain at the end of the year, which had a significant impact in 2024. These issues will also continue to have a negative influence in the first half of this year as well. However, the situation brings us back to Trump and three specific areas: the Russia-Ukraine conflict, the fate of Syria, the opening of trade, and the Gaza conflict. With Trump's involvement, even moderate developments in these three areas could significantly boost regional trade.

To summarize briefly,

In 2025, the global stance of the United States President-elect Trump will have a significant impact. He is likely to maintain a cold attitude toward NATO and European allies, press for Russia and Ukraine to cease hostilities, apply pressure on Israel regarding the situation in Gaza, support the normalization of Syria to the extent it aligns with his interests, and initially take a hard line against China, only to later adjust his approach based on evolving circumstances. Additionally, new tensions with Iran are expected to arise. This could lead to recovery of the Suez Canal transit volumes while increasing volatility in the Persian Gulf.

The tanker and container markets may continue to experience a decline due to new orders, the potential resolution of the Red Sea tensions that have been driving ton-mile demand, and the cyclical changes in the energy sector explicitly impacting the tanker market.

In the bulk carrier market, the relationship between Europe and the United States, Europe's potential return to growth, and peace efforts in the Black Sea and Eastern Mediterranean will play a significant role. We can cautiously anticipate the return of Syria, though, to be honest, the situation there remains fragile.

Let’s hope that by the end of 2025, our health remains intact… So that we can evaluate these forecasts together.

Have a happy 2025 as well as a great week…

Global Climate Change and Alternative Marine Fuels

Levent AKSON

NAVİS Author

"Based on the well-to-wake carbon emission intensity of 91.16 gr CO2 per megajoule equivalent in 2020, they will reduce it by 2% in 2025/2029, 6% in 2030/2034, 14.5% in 2035/2040, 31% in 2040/2045, 62% in 2045/2049 and 80% in 2050."

The European Union has introduced an application called FuelEU Maritime for all ships over 5000 gross tons.

The year is 1884, and the Swedish Academy of Sciences stands before a young university student named Svante Arrhenius, who is defending his doctoral thesis. His research focuses on the logarithmic relationship between the temperature at which a chemical reaction occurs and the duration or rate of the reaction. If you, like me, find this concept difficult to grasp, you are not alone—the jury members also struggled to comprehend it, awarding Arrhenius the lowest possible passing grade. Yet, merely 19 years later, the same Academy of Sciences would bestow upon him the Nobel Prize for the groundbreaking work that formed the foundation of his thesis.

Arrhenius does not fall into complacency; instead, he pioneers a principle that will only be fully appreciated years later: "If the amount of carbon dioxide in the atmosphere doubles, the air temperature could increase by 5 to 6 degrees Celsius." However, the brilliant chemist makes one miscalculation—he predicts that this doubling will take approximately three thousand years. Today, even the most advanced supercomputers confirm Arrhenius' projected rate of temperature rise, with one crucial difference: this phenomenon is not expected to unfold over millennia but rather within the current century. What we now refer to as the greenhouse effect was termed "hothouse" by Arrhenius. The most unambiguous indication that the planet is heating lies in the atmospheric carbon dioxide concentration, which has risen from 280 parts per million in the 1850s to 420 parts per million today.

Among those who fail to grasp the severity of the issue is Donald Trump, who withdrew his country from the Paris Climate Agreement, stating, "I don't believe in human-induced climate change. Some days the weather gets warmer, some days it gets colder—that's called weather."

Regarding our topic, carbon dioxide is the fundamental raw material for photosynthesis. It is not only terrestrial plants that absorb and utilize CO_2 from the atmosphere but also microscopic organisms known as phytoplankton, which are concentrated in the upper 100 meters of oceans and lakes. Recognizing the need to quantify how much carbon dioxide phytoplankton remove from the atmosphere through photosynthesis, the U.S. Institute of Marine Sciences assigned a young assistant professor, Charles Keeling, to this research.

In 1958, Keeling began measuring atmospheric carbon dioxide levels at the Mauna Loa Observatory in Hawaii, a location chosen for its remoteness from industrial pollution. These measurements have continued uninterrupted, forming the longest-running dataset on atmospheric CO_2 concentrations. The findings from these studies provided irrefutable evidence that the rise in atmospheric carbon dioxide is directly linked to industrial activity. In recognition of his groundbreaking work, Charles Keeling was awarded the U.S. National Medal of Science in 2002, personally presented to him at the White House by President George W. Bush.

I am genuinely curious—could Charles Keeling's Medal of Honor, awarded for his groundbreaking climate research, be revoked by climate change denier Donald Trump with the words, "We made a mistake, may God forgive us"? I am certain that Keeling, from wherever he is, is looking down on these times with a knowing smile.

WHAT IS CLIMATE

To understand climate change, we first need to understand "what climate is",

We call climate the expectations we formulate based on averages of measurements over many years.

We call the phenomenon we accept as constantly changing weather and the one we think does not change climate.

The period we call the Holocene started 18 thousand years ago, and we accept that it continues. The characteristic of this period was that the climate did not change.

Three things determine climate; the first is the amount of energy coming to the Earth from the Sun, the distance of the Earth from the Sun.

The second main factor is the distribution of land and seas on Earth and the color of the objects covering these surfaces.

The last main factor is the structure of the atmosphere. The proportion of gases in the atmosphere determines how much of the Sun's light the Earth traps and how much it scatters into space.

If there were no atmosphere on Earth, the surface temperature would be -18 degrees Celsius, while the Earth's average surface temperature is +16 degrees Celsius due to the trapping of some of the heat in the atmosphere. The difference is entirely due to the presence of the atmosphere.

The Paris Climate Agreement was signed by 197 countries at the 21st COP meeting in 2015 and entered into force in 2016. According to this agreement, the goal is to limit the increase in global surface temperature to 2 degrees and, if possible, to keep it below 1.5 degrees.

The atmosphere comprises 78% nitrogen, 21% oxygen, and 1% other gases. Whatever happens is caused by carbon dioxide, methane, and two nitrogen monoxide gases in this 1%. Namely, after the rays coming from the sun hit our planet, they turn into infrared rays and are reflected. When the reflected light hits our atmosphere, the following situation occurs: diatomic gases (oxygen and nitrogen) allow the light to scatter into space, but when it hits gases with three or more atoms (carbon dioxide, methane, two nitrogen monoxides), the light does not know what to do, half of it scatters into space, while the other half returns to our world and heats our planet.

We call the gases that trap heat in the Earth's atmosphere “greenhouse gases”.

These gases are carbon dioxide, methane, two nitrogen monoxide and ozone.

Combustion is when carbon combines with oxygen to form carbon dioxide. In other words, if fossil fuels are used for the movement of ships, carbon dioxide is produced as a result of combustion.

ALTERNATIVE SHIP FUELS

Ships emit 800 million tons of carbon dioxide into the atmosphere in a year. Now we come to our main topic; the European Union has introduced an application called FuelEU Maritime for all ships over 5000 gross tons arriving at its ports to be implemented from the beginning of this year to reduce the well-to-wake greenhouse gas intensity by 80% by 2050.

This means; based on the well-to-wake carbon emission intensity of 91.16 gr CO_2 per megajoule equivalent in 2020, they will reduce it by 2% in 2025/2029, 6% in 2030/2034, 14.5% in 2035/2040, 31% in 2040/2045, 62% in 2045/2049 and 80% in 2050.

For the time being, IMO will take a decision similar to this decision taken by the European Union or under more aggravated conditions within this year and will probably put it into practice as of 2026. This means that severe penalties will be imposed on greenhouse gas emissions in the world seas beyond IMO's determined rate.

The shipowners of the world, who are aware of this, have been looking for solutions to minimize the penalties and have turned to green fuels (mainly hydrogen, methanol, and ammonia), but liquefied natural gas (LNG) has become the preferred fuel for today due to the difficulty and expense of obtaining these fuels.

An Assessment of the United States

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"In the face of these dilemmas and weaknesses of the West, it is now difficult for the US alone to foot the bill for the problems that arise. It is trying to change the rules of the game by using its hegemonic power, even against some of its allies when necessary. ”

Trump imposes a situation in the international order that will also challenge the Western Bloc, of which it is a part.

Immediately after Donald Trump's election as President of the United States for the second time, his unorthodox political style has started to occupy the world agenda. Everyone is confused. Every day a new surprise decision is announced. Years ago, when Fukuyama wrote in his article “The End of History?”, he showed a very unrealistic approach based on liberal democracy. Over the years, it has become clear that even if societies are governed by liberal democracy, the facts are related to how the rulers implement this democracy. From this point of view, we will see in the coming period whether this will be the end of history as Fukuyama claims or the end of Trump and even the US. In this context, it seems that the repercussions of the US domestic politics will put our region and the world into a different security configuration.

The prosecution of Trump before the presidential election, the assassination attempt on Trump, the cracks over Ukraine and Israel were just the tip of the iceberg. It seems that there may be a deep reckoning in the country. I am of the opinion that it does not matter whether you are a Republican or a Democrat. Therefore, the role of international interest groups in the showdown should not be ignored.

Why is Trump not accepted by some practitioners of the establishment? In fact, Trump and his opponents are not fundamentally at odds with US interests. They differ in their approach to the facts and methodology. It is true that Trump is an outlier and acts with the logic of a merchant. The “structure” that Trump is up against forces economically weak societies to accept the policies of the

United States, which they see as the strongest representative of liberalism. While they are doing this covertly, Trump is playing it more overtly and trying to raise the stakes by targeting some countries of the Western bloc.

However, we are not in the 20th century and the US is being challenged by competitors, big and small. That is why the US military has to be present and fight on many fronts. It has a deterrent effect in some places, but it is not enough to break the resolve and will of many opponents. Not to mention the wear and tear on its military. It is no longer possible to achieve its political goals with the power it has. Because they are pushing a claim based on image and detached from reality. In the first term of his presidency, Trump declared that the commanders did not like him, that they wanted perpetual war everywhere so that the arms companies would be happy.

Although Fukuyama's thesis on history, presented under the guise of liberalism, has come to naught, the failure to fulfill expectations in Iraq and Afghanistan, for example, does not stop this counter-“structure” and those who pursue image in order not to fall behind them.

Consequently, from the Vietnam war to the present day, the claim that a “structure” formed by some ivory towers has been mortgaging the mind of the White House has always been on the agenda. From this perspective, one may wonder whether the new government will take any measures against this dominant “structure”. This “structure”, which tends to solve critical international problems with harsh interventions, can create manipulations at home and abroad. On the other hand, Trump's unpredictable moves have turned into taking heads from within instead of providing balance from the outset.

On the other hand, the “Trumpist” model imposes a situation in the international order that will also challenge the Western Bloc, of which it is a part. One reason for this may be the tensions between dreams and realities that the Western bloc is experiencing as it confronts Russia and China. For example, while ambitious decisions were being taken against Russia and China at the NATO Summit in Madrid in 2022, simultaneously, the EU Central Banking Forum in Sintra, Portugal was discussing how EU countries would survive the winter.

In the face of these dilemmas and weaknesses of the West, it is now difficult for the US alone to foot the bill for the problems that arise. It is trying to change the rules of the game by using its hegemonic power, even against some of its allies when necessary. This must be the reason why it is trying to establish domination over geographies close to it and rich in natural resources... But it is very difficult this way.

On the other hand, for example, it has not yet made a clear decision on whether to withdraw troops from Syria. This is due to the differences between the political approaches of the domestic actors. Even though Trump is in office, it is too early to say that he is all-powerful. While it is clear that the benefits achieved in Syria do not serve US interests, the pressures of the interest groups within the “structure” outweigh for now. For this, it is enough just to look at vague official statements.

These groups, which are connected to state institutions at different levels, still retain the power to directly influence US administrations and public opinion. Even in their retirement, some of their members have produced commentaries that pit civilizations against each other. In our country, some liberal dreamers referenced this nonsense and used it in their writings and presentations.

Let us explain what these interest groups are. These structures, which can exert pressure on US governments, are composed of a number of think tanks and arms and oil companies. They have taken advantage of the political and personal moral weaknesses of some important people. On the other hand, the environment and relationships they have created have also corrupted the values of some state institutions.

For example, the case of Senator Menendez, who is against Turkey, is a typical example of this. This man was an obstacle in front of every good deed. He had complex relations with the organizations within this structure and was very influential on military aid to foreign countries. But in the end he was found guilty of bribery, corruption and spying for Egypt.

Another striking example is the Pentagon's difficulty in submitting its accounting records over the past few years. It appears that the Defense Department has been unable to submit its audits since 2018. Only 39 percent of the $3.5 trillion allocated in the budget two years ago can be accounted for. On the other hand, the excessive and indifferent military aid to Ukraine, for example, has also become a strain on the budget.

While the politics and bureaucracy of a country that is expected to go into recession are in this state, the states have infrastructure problems, the number of homeless and unemployed is increasing. Disasters such as storms, floods and forest fires are straining the country in every sense.

Trump's aggressive anti-thesis against a thesis that sees the world in the wrong way could make matters even more complicated. He has already started with the slaughter of bureaucrats. He wants political control over Canada and Greenland. He is announcing tariffs on neighboring countries and the EU. A break with reality for a new image or a real overhaul? We face the danger of a drifting world that has lost its factual truths.

If there is lightning but we do not yet hear thunder, we should not be complacent and think that bad weather is far away from us. When the thunder starts, every three seconds between it and the lightning is half a nautical mile (about 1 km). Before it is too late, as a country, we need to move away from international memorized paradigms and unnecessary dealing with each other to a structure that thinks the unthinkable. We are in a period when we need the principle of realism of the great leader Atatürk more than ever. Stay in peace.

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