



Middle East Logistics and Consultant Group

NEWSLETTER

June 2022

Egypt is planning to establish 6 dry ports

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Egypt is planning to establish six dry ports following the successful financial close of the country's first public-private partnership (PPP) dry port project in the 6th of October City last year.

The Dry Port project is being developed by a consortium of El Sewedy Electric, Schenker Egypt, and SLP Logistics, The World Bank, the European Bank for Reconstruction and Development, and the African Development Bank Group are the main lenders for this project.

The 6th of October Dry Port would function as an extended gateway for the deep-sea ports located in Egypt's northern and eastern regions, there are plans to link the 6th of October Dry Port to the Mediterranean ports of Alexandria and El Dekheila via rail to reduce container transit times. Also planning to connect the dry ports and the Red Sea and the Mediterranean Sea ports through a high-speed railway network. Therefore, seeking Arab investors to cooperate and achieve this project. Pointing out that Sokhna Port's plans to add four new basins apart from the existing two basins that would be supported by the high-speed railway network.

Egypt is currently building the Ain Sokhna-El Alamein high-speed passenger and freight railway project, also dubbed the Second Suez Canal because it connects the Red Sea and the Mediterranean Sea coasts.

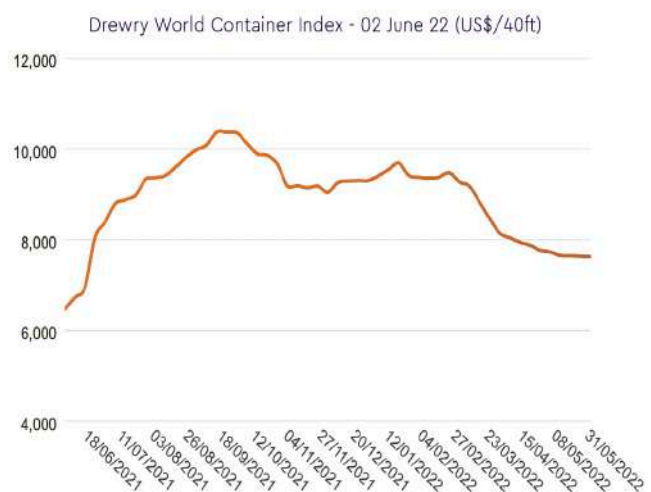
Drewry: World Container Index Now 24.7% Higher Than Last Year

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Drewry's composite World Container Index decreased marginally by 0.1% to \$7,648.18 per 40ft container this week. The main changes in the index were:

1. The composite index decreased marginally by 0.1% this week, but, remains 24.7% higher than a year ago.
2. The average composite index of the WCI, assessed by Drewry for year-to-date, is \$8,712 per 40ft container, which is \$5,360 higher than the five-year average of \$3,352 per 40ft container.
3. Drewry's World Container Index composite index decreased marginally by 0.1% to \$7,648.18 per 40ft container, but is 24.7% higher than the same week in 2021. Freight rates on Los Angeles – Shanghai dropped 1% or \$8 to \$1,278 per TEU.

Rates on Shanghai – Rotterdam, Rotterdam – Shanghai, Shanghai – Genoa, Shanghai – Los Angeles, Shanghai – New York, Rotterdam – New York and New York – Rotterdam hovered around previous weeks level. Drewry expects spot rates to remain stable in the coming weeks.



Maritime Anti-Corruption Network appoint Egypt partner

MACN has appointed Eldib Pandi as local partner in Egypt to support members calling Egyptian ports, terminals, and transiting the Suez Canal. It follows a tried and tested model by MACN in Nigeria, Argentina, India, Bangladesh, Pakistan and Ukraine.

MACN CEO said, "MACN has been working in Egypt for a number of years. While we have seen good results from these efforts, there are still incidents of where crew and companies need prompt support.

The primary objective of this partnership is to work towards making it easier for the Master to reject and say No to corruption when calling Egyptian ports and during canal transits." Home to the Suez Canal connecting East and West Egypt is often mentioned by industry executives in relation to petty corruption.

Eldib Pandi welcomed the expansion of MACN's work in Egypt, and commented: "MACN does very important work. Corruption free shipping means greater economic growth and better trade conditions for our local communities. Things everyone should be in favor of. "At Eldib Pandi, we have built an experienced team that understands the full range of issues facing crew, ships, and companies as they work in Egypt. We look forward to working with MACN members."

Egypt Approves Plan to Expand Southern Suez Canal

Authorities in Egypt have officially unveiled plans to expand and deepen the Suez Canal waterway by making an additional 10 kilometers accessible to two-way traffic, while widening and deepening another 30 kilometers after a mega-ship blockage caused substantial losses and raised the prospect that shipping lines might seek alternative routes.



As the southern portion between the Great Bitter Lake region and the Red Sea was never improved, Suez Canal Authority (SCA) chairman unveiled the expansion plan stating that it was crucial in order to improve the navigation of ships. "It will lead to improvements in the ability of the guide and the captain of any ship to navigate inside the canal," he said.

The project consists of widening the 30-kilo-meter portion extending south to the mouth of the canal by excavating 40 meters out of its eastern side. This portion, where the Ever Given was grounded and blocked traffic for six days in March, will also be deepened by six feet. SCA has claimed losses totaling \$916 million due to the the resulting blockade.

With the canal being one of Egypt's main sources of foreign currency – generating \$5.6 billion in revenues in 2020 – the country is eager to ensure that it retains its dominance on Asia-Europe trade lanes.

Last year, 18,829 ships with a total net tonnage of 1.17 billion (About 12 percent of the world trade volume) passed through the canal, and the average daily traffic ranged from 40 to 50 ships, making it one of the world's busiest waterways.

Some shipping lines and countries like Japan are considering Russia's Northern Sea Route as an alternative, but geopolitical and navigational hurdles remain. Russia has in recent weeks deployed nuclear icebreakers to improve accessibility for maritime traffic along the route, which saw annual traffic last year totaling 133 ships. Also the Cape of Good Hope also stands as an alternative route, but the additional 15 days needed for transit and the greater use of fuel compared to the Suez Canal route is a deterrent to shipping lines.

To safeguard the competitive position of the Suez Canal, SCA intends not only widen the canal's southern stretch but also deepening to 72 feet from the current 66 feet in depth.

The project, which will be implemented over the next 24 months, also includes a five nautical mile extension of a second (Northern) lane of the waterway opened in 2015, to bring the double-lane stretch of the canal to 44 nm, allowing more vessels to pass through.

Last month, SCA took delivery of a giant 48,000-ton dredge, which will be part of a fleet undertaking the project.

E-methanol bunkering project in first phase Egyptian hydrogen plans, Turning Egypt's Suez Canal into world's longest green canal

A group of Egyptian state entities led by the General Authority for Suez Canal Economic Zone (SCZone) has signed a series of MOUs with Emirati and Egyptian renewable energy companies for the development of green hydrogen production plants in the Suez Canal area.

SCZone, Egypt's New and Renewable Energy Authority, the Egyptian Electricity Transmission Company and The Sovereign Fund of Egypt announced agreements with Masdar, a prominent UAE-based renewable energy company, and Hassan Allam Utilities, the investment and development arm of Hassan Allam Holding Group, a privately owned Egyptian construction and engineering company.

As a way to stimulate progress on projects Egypt is anxious to burnish its environmental credentials to develop industrial hinterland around the Suez Canal, with six ports and four industrial zones forming the core of SC Zone's plans, after progress to capitalize on a 2015 canal reboot that saw the introduction of new channels, and widening and deepening of the existing waterway, was slow.

After the UK hosted the United Nations Climate Change Conference, COP26, in Glasgow, Scotland, in 2021, the Middle East will play a major role hosting future deliberations, with COP 27 taking place at Sharm El Sheikh, Egypt, in November 2022, and COP28 scheduled for 2023 in Dubai, UAE.

In the first phase of the project, Hassan Allam Utilities and Masdar aim to establish a green hydrogen manufacturing facility, which would be operational by 2026, producing 100,000 tones of e-methanol a year for bunkering in the Suez Canal. The electrolysis facilities in the Suez Canal Economic Zone and on the Mediterranean could be extended to up to 4 GW by 2030 to produce 2.3 million tons of green ammonia for export as well as supply green hydrogen for local industries.

Egypt signed agreements with EDF Renewables of France, and AMEA Power UAE, an affiliate of Abu Dhabi's Al Nowais Group, in another set of projects with green credentials. The aim of the EDF MOU is to establish a project to produce 350,000 tons of green fuel annually in the Sokhna area through two phases, with investments of \$3 BN. The work will begin in the first phase with a production capacity of 140,000 tons for ship bunkering purposes. Commercial operation will take place in the first quarter of 2026.

The second MOU, with AMEA Power, aims to produce green ammonia and hydrogen in Sokhna, with a production capacity of 240,000 tons annually in the first phase of the project.

Egypt hosted a three-day workshop with AP Moller-Maersk officials in Cairo, to discuss bilateral cooperation in green fuel industries, and in particular the implementation of projects for the production of green methanol and green ammonia, with the integrated industrial zone in Sokhna, located near the southern entrance to the Suez Canal, being considered as a possible project site. Maersk will continue to work extensively with a group of leading companies to accelerate the urgent transition to green energy in Egypt. Maersk also placed an order with Hyundai Heavy Industries for eight 16,000 TEU methanol powered, carbon-neutral containerships, for delivery in 2024, with options on four more.

Located at either end of the canal, Egypt's ports of Sokhna and Port Said are seen as the launch pad for a new set of industrial clusters that will promote sorely needed international investment. SCZONE's ports are aggressively expanding in the region, backed by liner and global port operators, maximizing its role in attracting priority port projects, to be a pivotal logistics center in global supply chains, and to provide marine service and bunkering.

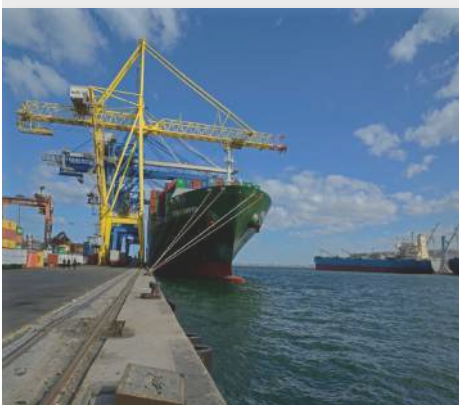


Cabinet approves free zone for Egyptian Group for Multipurpose Terminals in Alexandria

The project of the free zone for Egyptian Group for Multipurpose Terminals in Alexandria was approved by the Alexandria Port Authority, the Suez Canal Authority, the Holding Company for Maritime and Land Transport, and the Alexandria Container and Cargo Handling Company.

The CEO of the General Authority for Investment and Free Zones said that the establishment of the multi-purpose terminal in Alexandria Port will equip the port to receive modern ships, which need navigation lanes at great depths. He added that the new project will make the port compatible with international standards and increase the classification of Alexandria port regionally and globally.

The project involves setting up and running a multi-purpose terminal on berths 55–62 on Alexandria Port on an area of 539,000 square meters at an investment cost of nearly \$500 million and will handle container ships and cargo vessels.



Egypt Seeks to Expand Domestic Cargo Ship Fleet

Aiming to expand domestic cargo ship fleet, Egyptian authorities are discussing plans to increase the country's merchant marine to support the country's supply chain operations. Egypt joins other developing nations that have been hard hit over the past two years by the disruptions in the global supply chain that are now seeking to develop domestic shipping operations.



Minister of Transport told reporters that Egypt would seek to more than triple the number of domestic-flag cargo ships in its shipping operations. The country's merchant fleet currently numbers are just 118 ships of which 35 are large cargo ships. The MOT shows figures on its website saying in 2021 that the country's merchant fleet handled a total of 163 million tons of cargo including 7.3 million TEU.

The news outlet Egypt Today reports that the minister added that there are currently just five shipping companies working in Egypt of which only two are Arab Egyptians. The plan calls for raising the cargo fleet to 150 vessels. One of the areas that they have also been discussing is creating a fleet of Egyptian-flagged bulk carriers.

The MOT would be undertaking a feasibility study while also seeking to attract more investors to the maritime sector as well as looking to form closer working relationships with the Suez Canal Authority.

The minister recently met with the Chairman of the Suez Canal Authority and toured the facilities at the Suez Shipbuilding Company. They highlighted the opportunity to expand the operations of the shipyard which currently maintains ships for the Canal Authority as well as commercial work for small to mid-sized vessels. They pointed out that the shipyard has one of the largest floating dry docks in the Middle East with length of 990 feet and a lifting capacity of 55,000 tons. The yard's second dry dock has a length of 460 feet with a lifting capacity of 8,000 tons.

The Canal Authority through partnerships with international companies is looking to expand its activity in commercial shipbuilding and repair, which could be used to support the Egyptian merchant marine.

Abu Dhabi's AD Ports to Develop Multi-purpose Terminals, Cruise Ship Berths Along Egypt's Coastline

Abu Dhabi's AD Ports Group and the Red Sea Ports Authority have signed a Term Sheet and a Head of Terms agreement for what they say are major port projects along Egypt's coastline, including multi-purpose terminals, and cruise ship berths. The first agreement will see AD Ports Group develop, operate, and manage a multi-purpose

terminal in Safaga Port in a consortium with the Red Sea Ports Authority and the Egyptian Group for Multipurpose Terminals Company, the commercial arm of the Egyptian Ministry of Transportation.

The multi-purpose terminal project in Safaga Port is an important national project due to its strategic location on the Red Sea.

Upon completion in 2024, the terminal will offer berths of up to 1,000 meters capable of handling all types of general, dry and liquid bulk cargo.

AD Ports said that the new joint venture will provide port users with a wide range of marine services. These include services related to vessel traffic management, dangerous goods control, provision of navigation aids, fire prevention and firefighting, anchorage, dredging, as well as pilotage, towage, and mooring and unmooring solutions.

The signing ceremony was witnessed by MOT of Egypt, and signed by Chairman of the Board of Directors of the Red Sea Ports Authority, Chairman of the Board of Directors of the Egyptian Group for Multipurpose Terminals, and CEO of the Ports Cluster, AD Ports Group.

The Minister of Transport said: "These agreements are aiming to make Egypt a global trade and logistics hub through the development of Egyptian ports at the Red Sea and Mediterranean Sea coasts, and the constructive cooperation between Egyptian and UAE ports." CEO, AD Ports Group, said: "In line with our leadership's vision to promote cooperation with fraternal Arab neighbors, we are pleased to extend our strategic relationship with the Egyptian authorities through these agreements, which cover a full range of services across multiple ports along the Red Sea coast.

The second agreement covers the development, operation, and management of cruise ship berths and terminals at Sharm El Sheikh, Hurghada, and Safaga ports, and to provide support services to help extend cruise tourism in Egypt. In addition, AD Ports Group will develop plans for cruise ships lines linking Abu Dhabi, Hurghada, Sharm El Sheikh and Aqaba.

Dubai-headquartered DP World already has a concession at the same Red Sea port, which is located around 120 km away from Cairo, the Egyptian capital.

In September last year Egypt's National Authority for Tunnels (NAT) signed a \$4.34 BN, 15-year contract with a consortium including Siemens Mobility, Orascom Construction and Arab Contractors for the design, installation and maintenance of a high-speed electric rail network linking the Red Sea and Mediterranean coasts.

Under the terms of the agreement, AD Ports Group can also carry out development work "to enhance the experience of visiting tourists. " The memorandum was signed by Chairman of the Board of Directors of the Red Sea Ports Authority and CEO of the Ports Cluster, AD Ports Group.



Container Shipping Earned 'Mind-Bending' \$59.3 Billion Quarterly Profit -McCown

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Ocean carriers raked in a "mind-bending" \$59.3 billion profit in the first quarter of the year—the highest quarterly earnings in container shipping history—as the industry continued to benefit from stronger pricing, Blue Alpha Capital founder said in his latest McCown Container Results Observer report.

Q1 2022 actually marked the sixth consecutive quarter of the highest net income ever for the industry, McCown's report shows. The industry's \$59.3 net income also marked a 300% improvement from the first quarter of 2021, equivalent to \$40.2 billion. Compared to Q4 2021, total profits were up a little over 13%. "These actual results are diametrically opposed to what anybody could



have contemplated at the beginning of the pandemic just over two years ago,". Of the 11 largest ocean carriers, CMA CGM led the pack in terms of profit with a net income \$7.5 billion, at least according to McCown's estimate because the privately-held company has yet to release its first quarter results. Maersk came in second, earning a net income \$6.7 billion, which McCown also estimated as the company reports in terms EBITDA.

McCown says the blockbuster results, coming despite an overall 1.1% total decline in volumes compared to Q1 2021, are likely to drive "fundamental change" in future carrier behavior. "The large majority of container move under contracts that are renewed throughout the year and have a one year or even longer term. This simple fact means that the improved results have a long tail even if supply/demand conditions change materially," The report also points that the industry's strong financial performance has resulted in "unprecedented" new vessels orders, with the total industry order-book now approaching a record level of almost 30% in terms of TEU capacity. Also, higher profits also make it likely that the ILWU will raise its economic demands in its negotiations with employers at U.S. West Coast ports, which are currently underway.

Due to uncertainty in the industry, McCown has maintained his initial profit forecast of \$220.5 billion for the container shipping industry in 2022, noting: "For now, I'm not as confident of further improvement from this later point." But adds: "A key tool to watch that the industry has newfound appreciation for is blanking sailings. Look for that to be a key driver of the industry's performance in 2022 and in the years beyond."

As an interesting side-note, the container shipping industry profits in the first quarter of 2022 beat out those of FANG—an acronym for Facebook, Amazon, Netflix and Google—by 103%, expanding the gap from last year's fourth quarter when liner industry profits beat FANGs by 14%.

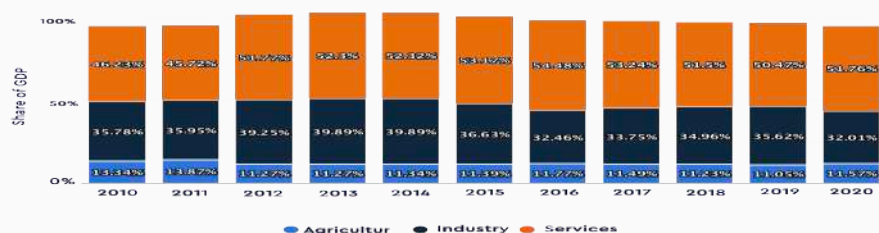
Egypt key indicators 2012–2020

- Economic growth: the rate of change of real GDP

2012	2013	2014	2015	2016	2017	2018	2019	2020
2.23	2.19	2.92	4.37	4.35	4.18	5.31	5.56	3.57

- Value added by industry as percent of GDP

2012	2013	2014	2015	2016	2017	2018	2019	2020
39.25	39.89	39.89	36.63	32.46	33.75	34.96	35.62	32.01



- Government spending as percent of GDP

2012	2013	2014	2015	2016	2017	2018	2019	2020
11.18	11.35	11.85	11.76	11.43	10.09	8.35	7.66	7.92

- Capital investment as percent of GDP

2012	2013	2014	2015	2016	2017	2018	2019	2020
16.03	14.21	13.64	14.29	15.04	15.27	16.66	18.21	13.79

- Household consumption as percent of GDP

2012	2013	2014	2015	2016	2017	2018	2019	2020
80.71	80.77	82.94	82.43	83.09	88.12	85.45	82.37	85.83

- Investment forecast

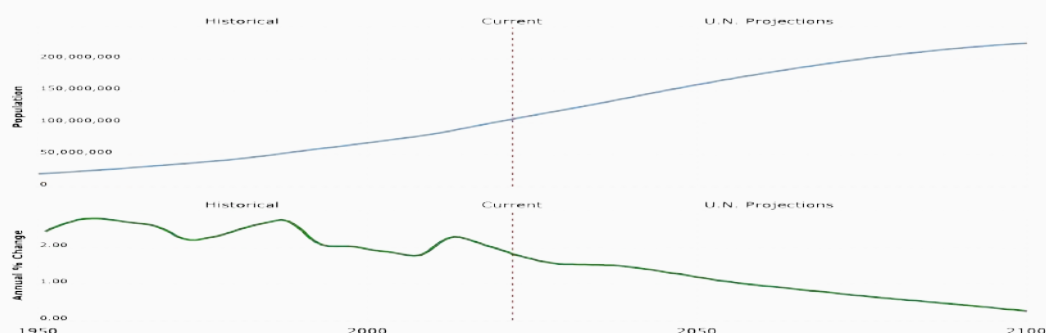
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
16.03	14.21	13.64	14.29	15.04	15.27	16.66	17.99	13.74	12.23	11.29

- Economic growth forecast

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2.23	3.3	2.92	4.37	4.35	4.08	5.31	5.56	3.57	3.33	5.89

- Population size, in millions

Economy	Total			Urban		
	Population	Annual growth rate		Share in total population	Annual growth rate	
	Millions	Percentage		Percentage	Percentage	
	2020	2015-2020	2020-2050	2020	2015-2020	2020-2050
Egypt	102	2	1.5	42.8	2	2.4



Bloomberg: Egypt has approved India as a wheat supplier

According to Bloomberg, Egypt has approved India as a wheat supplier as the North African nation works to build its supplies and broaden its import sources amid trade disruptions caused by Russia's invasion of Ukraine in February, the Business Standard reported, citing the commerce ministry.

Egypt is likely to import about 1 million tonnes of wheat from India, of which 240,000 tonnes will be shipped in April. Egypt is the largest importer of wheat in the world at about 12 million tonnes annually and depends on Black Sea wheat, importing about 80% from Russia and Ukraine in 2021.

Equally Egypt is discussing with India to export fertilisers other agro.

Hapag-Lloyd ceases Syria connections with Greece and Egypt

Hapag-Lloyd has announced that it will stop providing services that connect the Port of Lattakia in Syria with the Port of Piraeus in Greece and the Port of Damietta in Egypt.

The German Ocean carrier said that Lattakia port will be continuing being connected to its network by two feeder services calling Tangier, Morocco and Valencia, Spain.

"These changes are effective immediately and will reflect if a booking request is placed on any of these routings," noted Hapag-Lloyd in a statement.

Hapag-Lloyd will no longer offer connections between:

Piraeus, Greece / Lattakia, Syria

Damietta, Egypt / Lattakia, Syria

News brief

- IMO set to designate the Mediterranean Sea an emission control area.
- Abu Dhabi aims to fuel ships with e-methanol at Suez Canal.
- Cargo ship banned after skipping Egyptian repair yard call.
- Egypt turns away sanctioned Russian bunker carrying grain from Crimea.
- Egypt's Offshore Gas and Wind Could Help Meet EU's New Energy Needs
- The pace of development is quickening in Egypt, with Hutchison Ports Holdings.

Comment on the news by MELC CEO

June still shows container ship-time charter positive signs.

With the opening of Chinese ports again the trend still upward and numbers will likely to be more bullish.

With the current market sentiment, summer could be quite bright once more for the shipping lines.

However, Bad news for shippers as freight will continue to surge in the different trade lanes.