

Destination Karlshamn NEWS is produced by Karlshamns Hamn AB to inform about the role of Karlshamn and its port as a node in southern Sweden for logistics and transportation.

Biggest deal ever!

Never before has the Port of Karlshamn received so much attention as in recent months! The logistics deal with the handling of German steel pipes for the Nord Stream 2 natural gas pipeline has been heat, both politically and in the media.

“The storm has now died down” and towards the autumn, the transports will begin of pipe from Germany to Karlshamn, where they will be stored until being laid in the southern Baltic Sea.

Much of the commotion was due to misconceptions. Many people have not seen the difference between the logistics deal in Karlshamn and the Nord Stream 2 natural gas pipeline. And turning down the logistics deal would not stop the pipeline.

Nor does the logistics deal mean an increase in the “Russian presence” in Karlshamn or that the port is being leased out. The Port of Karlshamn is selling a logistics service and will carry out the handling in the port with the port’s own staff. The guarding of the pipes in the port will be taken care of by a Swedish security company.

The deal is large, which of course means that it is financially significant. But the most important issue for the Port of Karlshamn, and Swedish and Nordic companies, is that the flow of goods to the east through Karlshamn may continue to develop.

If the Swedish Government or Swedish Armed Forces would have introduced limits to this traffic, or stopped or seriously impeded contacts and the flow of goods with, for example, Russia, it would have had major negative consequences.

But the questions have now been answered and the Port of Karlshamn has signed its largest single deal ever!

Minister for Foreign Affairs Wallström on the pipe deal:

“The decision is based on a holistic view of the operations in the Port of Karlshamn”

In the interpellation debate in the Swedish Parliament on 28 February, Minister for Foreign Affairs Margot Wallström commented on the logistics deal in Karlshamn and the Nord Stream 2 project.

HERE ARE A FEW SUMMARISING POINTS:

- The Port of Karlshamn is a commercial port with an extensive flow of goods, partly with Russian ties
- The decision is based on a holistic view of the operations in the Port of Karlshamn, not on individual information on the number of vessels
- The Port of Karlshamn will not be leased out. The port is selling a logistics solution with unloading, storage and loading
- The planned operations can be satisfactorily managed in terms of national security
- The Government has had a good dialogue with Karlshamn Municipality
- The trade over the Baltic Sea is important to Sweden
- Sweden has no legal grounds to stop the Nord Stream 2 project



Media coverage was extensive and there were many different opinions. Dagens Industri commented on the decision as follows.

Municipal commissioner Per-Ola Mattsson on the pipe deal:

Karlshamn has not said yes to Nord Stream 2

“Many believe that Karlshamn Municipality has said yes to the Russian gas pipeline Nord Stream 2, but that’s not true. Karlshamn Municipality and the port operator have only agreed to a logistics deal that we believe is good for Karlshamns Hamn AB, the businesses of the municipality as well as businesses in the rest of Sweden,” says Municipal Commissioner Per-Ola Mattsson, Karlshamn.

“These pipes will be stored somewhere regardless of whether the Nord Stream 2 gas pipeline becomes a reality or not. We are happy that the

pipes will be stored in the Port of Karlshamn. During the time of storage, which at present involves a two-year period, the pipe deal will create well-needed jobs and provide development opportunities for the port operator and for business throughout southern Sweden. “There has been a great deal of articles, debate and speculation by both politicians and the public regarding the Port of Karlshamn’s logistics deal. The Municipal Executive Board approved the deal at the end of January. This decision was based on careful reviews of a number of different documents and national security aspects, which among other things have been discussed with the Government and Swedish Armed Forces. “The Port of Karlshamn is among the most important ports in the Nordic region in terms of trade with eastern Europe, including Russia.

Therefore, a rejection of the pipe deal because of a “Russian connection” would have been very serious for the development of the Port of Karlshamn and the region. The pipe deal is large and financially significant, but the major issue for the port operator and Karlshamn Municipality in discussions with the Government and Swedish Armed Forces was whether the port should continue doing business with companies that have ties to Russia at all. If the Government/Armed Forces were to introduce a limitation to the port’s development, it would be very serious. - But this did not happen. The Government confirmed that the Port of Karlshamn could make the deal and that the logistics involving the pipes in Karlshamn are in line with Swedish national security. “The Port of Karlshamn may thereby continue to develop, which we are very happy about!”



“We have only agreed to a logistics deal that we believe is good for Karlshamns Hamn AB, the businesses of the municipality as well as businesses in the rest of Sweden,” says Municipal Commissioner Per-Ola Mattsson, Karlshamn.

CEO in a media storm

"As the CEO for a port operator, I'm not used to such a media storm like the one that arose around the pipe deal. During the most intensive days of it all, journalists called almost non-stop and hundreds of articles a day were written. It was very turbulent!

"I understand that the issue incited interest. The deal and the project are comprised of many components that people can create more or less likely and conspiratorial scenarios around.

"But I couldn't have imagined what such a media storm involves. And how information, right and wrong, is spread in the media and on to politicians. But these are circumstances. I have personally learned a great deal about media contacts! For us as a company, we can only take our lessons learned and "make the most of it".

"From beginning to end, we have had a business focus on the logistics deal. For us as a port, this is "just like any other deal" – German pipes, "non-Russian" ships transporting them, our own staff handling them, a Swedish security firm providing security, and the multinational Wasco as the customer. Of course, we have realised that there are political and national security aspects to the Nord Stream 2 gas pipeline. But the pipe logistics are, as we see it, something different entirely.

"Opinions were also expressed as to our "relationships with Nord Stream". The Port of Karlshamn has had contact with people from Nord Stream since 2007 when the port offered a logistics deal in connection with Nord Stream 1. In the business world, good customer relationships are a prerequisite for business and something to be cultivated. It's nothing odd or suspicious, on the contrary – it would have been odd to not talk with the customers!

"As the CEO of a port operator, I am pleased with the support and complete backing I received from the company's Board of Directors and Karlshamn Municipality. If we had ended up in a situation where the Government/Armed Forces had introduced limitations on the traffic with "Russian ties", it would have been very serious for the development of the Port of Karlshamn and for the trade between the Nordic region and Eastern Europe.

"Port operations in a commercial port like Karlshamn are based on open borders, trade, exchange and cooperation between countries. It's a part of the "port's DNA" to think this way. We believe more in trade than barriers as a long-term peaceful relationship between countries.

"Now it ultimately led to a solution that means that we can carry out the deal and we are now fully focused on delivering what we have promised!"

Mats Olsson
CEO Port of Karlshamn



Also submitted a tender for Nord Stream 1

The negotiations with Wasco about the large logistics deal were handled on the part of the Port of Karlshamn by Deputy CEO Martin Fredlund and Marketing Manager Ulf Sandevärn. The negotiations have been under way since the end of 2015. The Port of Karlshamn has had contact with Nord Stream since 2007 when the port also offered a logistics solution to Nord Stream 1.

"There is no "standard agreement" for deals like this. Each deal is unique with its own conditions. We have worked with our business lawyer and Wasco with theirs and the negotiations have been intensive, constructive and goal oriented. It has been an advantage that the negotiations have been directly between us and Wasco, without intermediaries which is otherwise common," says Martin Fredlund.

"In terms of the content of the agreement, it is of course the volume that is the major difference. This is the Port of Karlshamn's large single deal in modern times. Otherwise, the agreement includes the paragraphs that all logistics agreements have. In this sense, the deal is "just like any other" for us," says Ulf Sandevärn.

The negotiations were conducted with Wasco Europe BV in the Netherlands. The agreement is now signed with the subsidiary Wasco Coatings Germany

GmbH which also includes the coating factory in Mukran. In the coating factory, the steel pipes are given an outer protective "shell" of concrete.

ALSO SUBMITTED TENDER FOR NORD STREAM 1

"I had the first contacts with Nord Stream as early as spring 2007 about Nord Stream I," says Ulf Sandevärn. Besides the project managers at Nord Stream, we also at the time had frequent visits by several of the subcontractors from Norway and France who were then contracted by Nord Stream 1 and in turn signed agreements with Karlskrona for storage and logistics.

"We interpreted it such that we were of interest as a port with good capacity and we also submitted a tender. Already then we devoted extensive work to estimates and technical documentation.

"However, during those years, we had very high



This is the logistics deal

The task of the Port of Karlshamn is to receive at least 30,000 pipes that are manufactured in Germany and provide intermediate storage of the pipes waiting to be shipped out to where they are laid in the southern Baltic Sea. The pipes to be handled in the Port of Karlshamn will be manufactured by Europipe GmbH in Mul-

heim and provided with an outer concrete layer in Mukran, Germany before they are transported to Karlshamn. Transports from Karlshamn to the laying barges and the laying of pipe will be handled by Allseas Group S.A. in Switzerland. No Russian vessels will be used. The customer Wasco is not leasing any land in the Port of Karlshamn. The handling in the port will be done by the Port of Karlshamn's own staff under the management of personnel from Wasco. Security to protect the pipes will be provided by a Swedish security firm.

The Port of Karlshamn is signing the deal with Wasco Coatings, which has the assignment to handle the concrete coating, shipping to port storages and arrange port logistics of the Nord Stream 2 project.

Wasco Coatings is a part of Wasco Energy, a global player in the gas and oil sector with operations in Asia, Africa, the Middle East, Europe, Australia and the USA. The head office is in Malaysia where the company is listed.

At www.karlshamnshamn.se, there are further Questions & Answers on the logistics deal.

Major opportunities after the pipes

A first-class hardened port area of more than 200,000 m² directly adjacent to the quay!

This is what the Port of Karlshamn will have at its disposal once the laying of pipe is complete in a few years. The pipe deal is a major deal and is consequently of major financial significance to the Port of Karlshamn. But there are also long-term advantages.

"The area prepared is of course a significant resource for the continued expansion of the port's operations. Through the pipe deal, we are gaining the possibility of preparing and fencing in the new storage areas. The prerequisite for the area is that the pipes will be able to be handled with a 95-tonne Reach Stacker. We had already done quay reinforcements. This means that we will be able to offer our customers attractive new logistics possibilities," says Marketing Manager Ulf Sandevärn.

Growth

in focus at the Karlshamn Conference

How is growth created in a business? This was a central question at the Port of Karlshamn's annual Karlshamn Conference. Thomas Ahrens, who conducts research, writes and lectures in the area provided well-informed answers. Lars Green from Green Consulting spoke about the developments in the container field. Peter Luke, Site Manager AAK AB and Thomas Frank, Senior Multimodal Manager DFDS AS spoke about growth in connection with their respective companies. Ludwig von Müller from Nord Stream provided information on the Nord Stream 2 project.



Peter Luke, Site Manager AAK AB.



Thomas Ahrens - researcher, consultant, author, etc. on the theme "Growth".



Per Sandström from P Sandström Logistics was the moderator.



Ludwig von Müller, Nord Stream.



Thomas Frank, Senior Multimodal Manager at DFDS AS and Ulf Sandevärn, Marketing Manager at the Port of Karlshamn.



The Port of Karlshamn's conference and annual Christmas dinner gathered up to 100 participants.

Many misconceptions about a russian presence in the port

The pipe deal will NOT lead to greater Russian vessel traffic to the Port of Karlshamn. NO Russian vessels will be used! But are there seven or 700 "Russian vessels" that already come to Karlshamn??? Different figures were paraded around in the media. But the question of fact was not about the number of Russian vessels. It was about the size of the existing "Russian presence" in the Port of Karlshamn and no such statistics have been compiled. And how should a "Russian presence" or "Russian ties" be defined? Is it vessels with a Russian flag? Vessels with a crew that is partly or entirely Russian? Russian goods? Russian passengers? Russian trucks? Russian drivers? Vessels that come with goods from

Russian ports? Or are vessels that come with Russian goods from other ports Russian? An example of a "Russian presence" is the Swedish Coast Guard's statistics on the number of Russian-flagged vessels and the number of Russian crew members. Unfortunately, we misunderstood the interim figures we received from the Coast Guard. On 8 February 2017, the Swedish Coast Guard provided their figures for full-year 2016. These figures show that 916 Russian crew members, 44 vessels with a fully Russian crew and 149 vessels with a partly Russian crew came. BUT the Coast Guard's figures only cover pre-registered vessels. IN ADDITION to them, there are:

- 350-400 ferries where there are frequently Russian drivers, Russian passengers, Russian personnel and Russian goods.
 - Many commercial vessels from other Swedish ports, so-called domestic traffic, which can also have a Russian crew. (But no statistics are available.)
- Regardless how one chooses to define a "Russian presence", it can be confirmed to be extensive and long since established in the Port of Karlshamn. And it is traffic that is of major importance to Swedish and Nordic businesses now and in the future.
- Port operations in a commercial port like Karlshamn are based on open borders, trade, exchange and cooperation between countries.

It's a part of the "port's DNA" to think this way. We believe more in trade than barriers as a long-term peaceful relationship between countries. Excluding vessels or citizens from one country feels completely foreign to us. We have long had good relations with Russia, through frequent Russian vessels and Russian crew in the port, and want to continue to do so. Stopping or impeding the commercial exchange with Russia would mean that Sweden introduces its own trade barriers, which could reasonably be considered a drastic measure for Sweden as a peaceful country and for Swedish and Nordic companies with Russian business relations.



Record loads of sawn timber to the USA



It is Vida Wood and ATA Timber that export to the USA. The timber is transported both by rail and road to the Port of Karlshamn where a stock is built up prior to the ship arrivals.



Full speed ahead with sawn timber! Record load of 40,000 cubic metres in January and a new large load in March of 35,000 cubic metres. This pleases Pär Carlsson, Port of Karlshamn, Thomas Ahlford, Becoship, Rikard Mattsson Port of Karlshamn and Bert Roedoe, Greig Star Shipping.

In January, the largest volume of sawn timber ever handled in the Port of Karlshamn was loaded onto a single vessel, nearly 45,000 cubic metres, or more than 12,600 timber packages. In March, it was again time for a large new load. Then somewhat smaller, 35,000 cubic metres.

It is Grieg Star Shipping that puts into Karlshamn 3-5 times a year with its USA service. The broker is Becoship in Karlshamn.

“It involves sawn spruce and pine. Vida and ATA have engaged the port to ship more than 10,333 and 2,322 packages, respectively, to the USA,” says Thomas Ahlford, CEO at Becoship. The exporters are Vida Wood and ATA Timber.

The timber is transported both by rail and road to the Port of Karlshamn where a stock is built up prior to the ship's arrival.

The record shipment is loaded on board the vessel Cileo di Cartagena with destinations Morehead City and Cape Canaveral in the USA.

“In total, we have 35 men with supervisors who worked with the boat. 12-15 extras had to be called in for the task,” says Rikard Mattsson, Stevedoring Manager. At the Port of Karlshamn, it is Pär Carlsson who works with sales to sawmills and with project loads.

ABG Logistic now providing customs service in the Port of Karlshamn



Anders Carlsson, Samuel Johansson and Johanna Engström at ABG Logistic in Karlshamn.

The Karlshamn company ABG Logistics is now taking care of customs service in the Port of Karlshamn as of the beginning of the year.

“We can help with all customs service needed for goods that come to or leave the Port of Karlshamn,” says Anders Carlsson, who owns and operates the company.

“We are a small company that is independent from other stakeholders. This makes us neutral in our actions and our recommendations, which is appreciated by the customers,” says Anders Carlsson.

Anders Carlsson has a background as a customs officer with customs appraisals, and in companies as a forwarding agent and traffic manager.

More information about ABG Logistic and the operations is available at www.abglogistic.com



Anders Carlsson