A welcome respite

Project hiccups ease pressure on heavy transport providers

By Keith Wallis

Despite strong demand, scattered project slowdowns and cancellations due to red tape and a tougher global financing environment are fostering a new realism among heavy transportation and engineering companies, industry executives said.

Several major offshore wind projects — key generators of project cargo — have been scrapped or slowed. In the US, for example, Danish developer Orsted cancelled 2,400-megawatt (MW) Ocean Wind I and II, to be built in New Jersey waters, in late 2023. Orsted also withdrew from commitments to build 966-MW Skipjack I and II off the coast of Maryland, although it continues advanced development and permitting work, according to the Energy Information Administration.

Beyond macroeconomic issues, red tape and bureaucratic hurdles often stymie progress, but the heavy transport industry is well-occupied nonetheless thanks to global projects focused on power generation, infrastructure, and manufacturing.

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"The heavy transportation and engineering market remains very busy," said Yannick Sel, group commercial director for projects at heavy transportation company Sarens.

While some projects have been postponed, this only serves to make the supply chain outlook more realistic, in his opinion.

"With all the projects that were planned, the supply chain would never have been able to deliver," Sel told the *Journal of Commerce*.

However, Riccardo Tippmann, a heavy transport and lifting consultant who was formerly a director at Italian heavy transport and lifting company Fagioli, is less upbeat about the sector.

The market has slowed in the past year, and "the unstable economic situation and the weak political situation in Europe does not help," Tippmann told the *Journal of Commerce*. "The US elections will also play an important role which in some way may affect development in Europe as well.

"While the oil and gas industry is continuing to develop out of Europe and new investments are planned in India and the Middle East, there appears to a slowing down in renewable energy in Europe," he added.

A shift in focus

Oil majors like Shell, Exxon and BP are shifting some focus from renewable energy projects including green fuels and wind to traditional oil and gas development, according to corporate sources including earnings reports and strategy documents that point to lackluster returns, rising costs and increased competition for these decisions.

Offshore wind developers are suffering from a reality check thanks to rising commodity prices, interest rate hikes, and supply chain bottlenecks that have put pressure on them, business consultant McKinsey said in a wind energy report released July 15.

In the UK, for example, offshore wind failed to attract a single bid in a fifth round of bidding for government-backed renewable energy projects last September.

However, the country's new Labor government has increased its offshore wind energy targets to 60 gigawatts (GW) by 2030 including 5 GW for floating offshore wind. To incentivize potential bidders in the sixth round of bidding, which closed in August, Britain's new Labor government increased subsidies by 50% to almost $2 billion, including $1.4 billion for offshore wind development.

Despite setbacks, the offshore wind industry holds significant room for growth, the McKinsey report said. "In theory, there is potential for 20,000 GW of fixed offshore wind, in addition to 50,000 GW of floating offshore wind capacity globally," the report said.

In North America, power and infrastructure projects continue to invigorate heavy transport and engineering. Jeff Latture, executive vice president of Tennessee-based

Ton Klijn
Director, ESTA

Yannick Sel Sarens
Commercial Director for Projects, Sarens

Riccardo Tippman
Consultant

A 2,500-mt lift capacity crawler crane at Sarens' facility in Rostock, Germany.
Sarens

heavy-lift company Barnhart Crane & Rigging, told the *Journal of Commerce* that although high interest rates have slowed capital construction, "we seem to be in a good place in the economy with a steady flow of projects, which is much [healthier] than a boom/bust cycle. Power demand continues to be a primary driver."

The return of manufacturing to North America, especially the US, has created demand for heavy lift and heavy-haul services to move presses and other machinery and equipment, Latture said.

And despite turmoil in the Red Sea and reported slowdowns and scaling back at Saudi Arabia's nearly $1.7 trillion NEOM project, the Middle East remains an active project market, Sel said.

Major headaches

While the business outlook for the heavy transportation sector remains generally positive, ESTA, a lobbying group for European heavy-haul transport and mobile crane operators, said bureaucracy and creaking infrastructure create significant headwinds in Europe, similarly to the US.

This makes the industry "less safe and less efficient, raising costs for our clients and ultimately for the consumer," Ton Klijn, director of the Netherlands-based ETSA, told the *Journal of Commerce*.

"Getting wind turbines from a factory to the port or their onshore location can result in lengthy and time-consuming detours and delays because far too many of Europe's roads and bridges simply can't take the loads," he said, citing recent repeated road closures around the Port of Hamburg. "It is essential — for the efficiency of European industry as a whole — that we urgently prioritize investment in infrastructure, at the very least on key trading routes."

The rules for marking, lighting and escorting the same heavy loads and trucks differ from country to country across Europe, he said.

"It makes no sense at all," Klijn said. "Yet getting agreement on such a simple and obvious [simplification] has already taken years and we have not managed it yet."

Heavy-haul operators in Germany can even see permits cancelled if loads are underweight and undersized, Klijn said. Current regulations allow for a 5% variation in weight or a 6-inch (15 centimeter) variation in size; variations beyond those margins and permits can be cancelled.

"The situation where a permit can be deemed null and void because a load is slightly undersize defies belief, and authorities should be more flexible when loads are under weight or under sized, because they pose no additional threat to weak roads and bridges," Klijn said. "Europe-wide, we need common, sensible, properly enforced regulations that will not just make the industry more efficient but also safer, as everyone will know what the rules are and what they have to do to comply with them."

Industry reconfiguration

Netherlands-based conglomerate SHV, parent company of Mammoet, the world's largest heavy transportation and engineering company, scrapped a 2023 plan to sell Mammoet because it was unable to find a buyer, but said this spring that "the intent to divest Mammoet remains."

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In July, Mammoet launched an initiative which involves splitting its operations into two separate divisions — large projects and crane rentals — with the global projects business headed by Mammoet COO Jan Kleijn and crane rentals fronted by Wouter van Noort, currently European regional director.

Tippmann noted that in creating a separate equipment rental business, Mammoet is joining companies like Sarens that have similar business lines.

"Specialized high-value equipment rental is beneficial for firms wanting to limit their investment when they just need special equipment for a limited period," he said. "But too many companies renting equipment can saturate the market, leading to lower prices and therefore lower margins."

Heavy transport companies renting out their own equipment can also be a sign that they are not able to keep all their assets busy.

"Sometimes, if you look at certain rental rates, they are just in line with pure depreciation values," Tippmann said.

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