JANUARY 29-30 • TAMPA FL

SHIFTING TRADE

Title: IMO 2020

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PORT TAMPA BAY

AAPA

IMO 2020

WHO?

- The International Maritime Organizations' (IMO) Marine Environment Protection Committee (MEPC).

- IMO = the United Nations agency, responsible for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships. (Not to be confused with hazardous cargo, often referred to as 'IMO', in turn referring to the IMO regulations for hazardous cargo)

INTERNATIONAL MARITIME ORGANIZATION

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WHAT?

- The main type of “bunker” oil for ships is heavy fuel oil, derived as a residue from crude oil distillation. Crude oil contains sulphur which, following combustion in the engine, ends up in ship emissions. Sulphur oxides (SOx) are known to be harmful to human health, causing respiratory symptoms and lung disease. In the atmosphere, SOx can lead to acid rain, which can harm crops, forests and aquatic species, and contributes to the acidification of the oceans.
- Limiting SOx emissions from ships will improve air quality and protects the environment.

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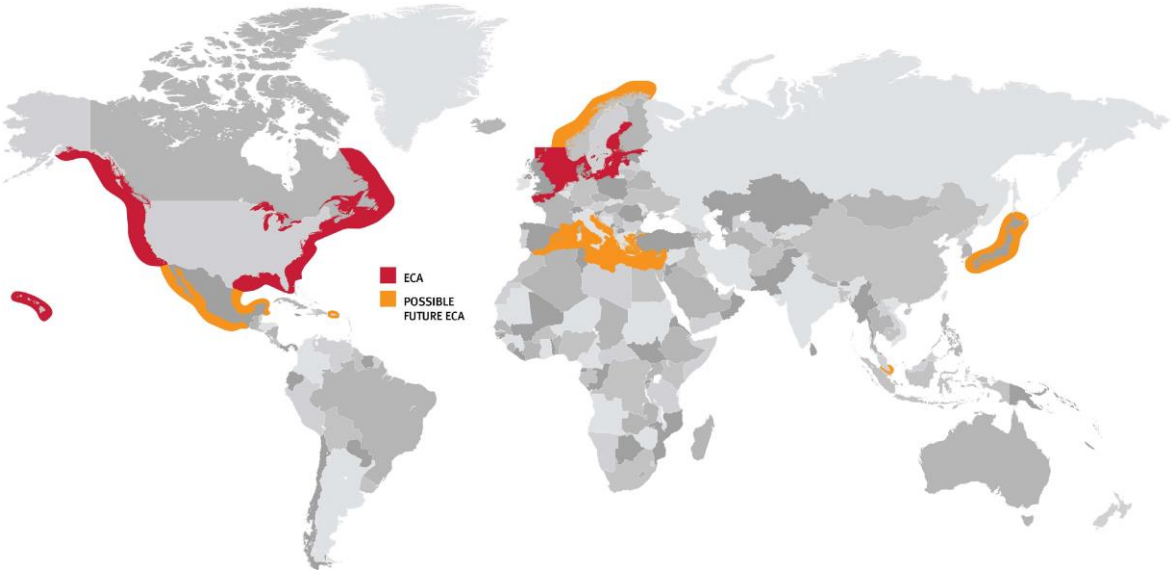
WHERE?

- Globally
- Only exceptions are the ECA's which are already in place. In these regions the allowed suphur content is already limited to 0.10% since 2015.



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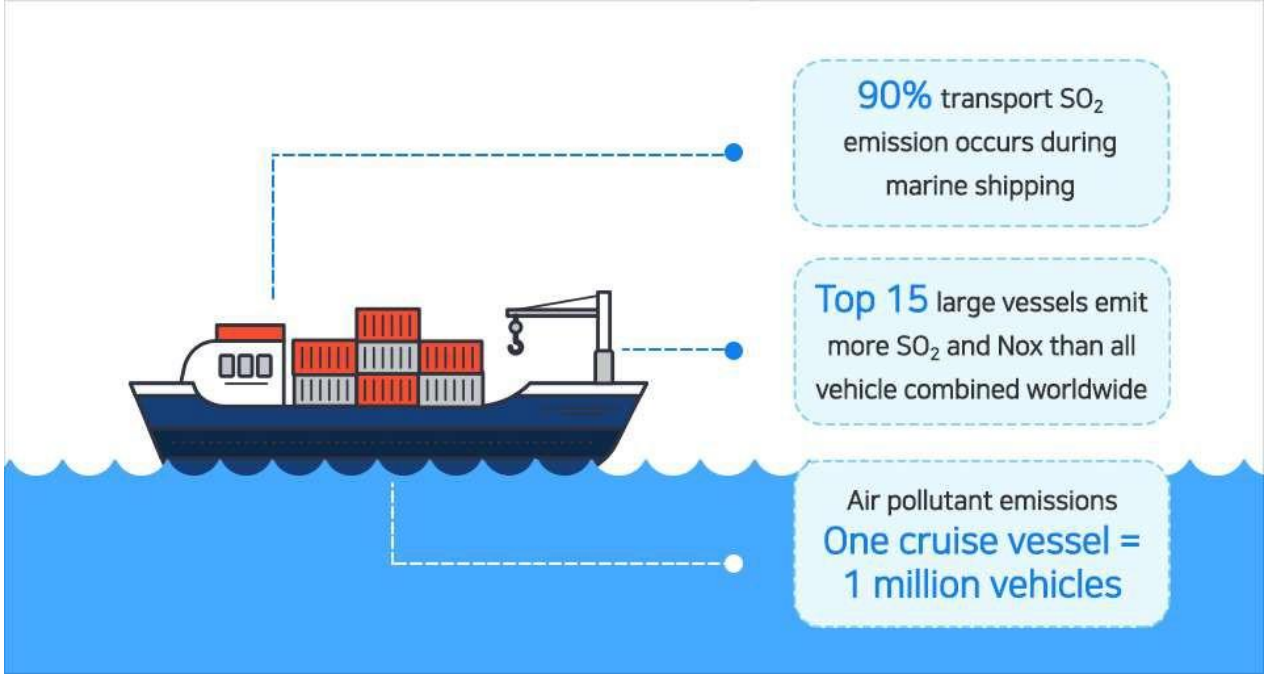
WHY?

- The regulations for the Prevention of Air Pollution from Ships (Annex VI) seek to control airborne emissions from ships (sulphur oxides (SOx), nitrogen oxides (NOx), ozone-depleting substances (ODS), volatile organic compounds (VOC) and shipboard incineration) and their contribution to local and global air pollution, human health issues and environmental problems…



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WHY THE SHIPPING INDUSTRY?

- Is shipping unfairly held to task or just low hanging fruit?
- The maritime shipping industry is responsible for less than 4% of global greenhouse gases, while the fast fashion industry is responsible for 10% of global greenhouse gases.

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HOW?

- 1. USE OF LOW SULPHUR FUEL OIL
- Very Low Sulphur Fuel Oil (VLSFO) 0,50% OR Ultra Low Sulphur Fuel Oil (ULSFO) 0,10%

Pro:	Con:
Quick Solution	Uncertainty on price level
No Loss in cargo capacity	Possible supply shortage expected
No conversion needed	Different in quality depending on bunker port

- 2. USE OF LNG
- Liquified Natural Gas as fuel

Pro:	Con:
Negligible SOx	High pressured storage gives a safety risk
The Fuel is cheaper	Not enough LNG bunker ports
Compatible in ECA	Conversion will reduce intake capacity

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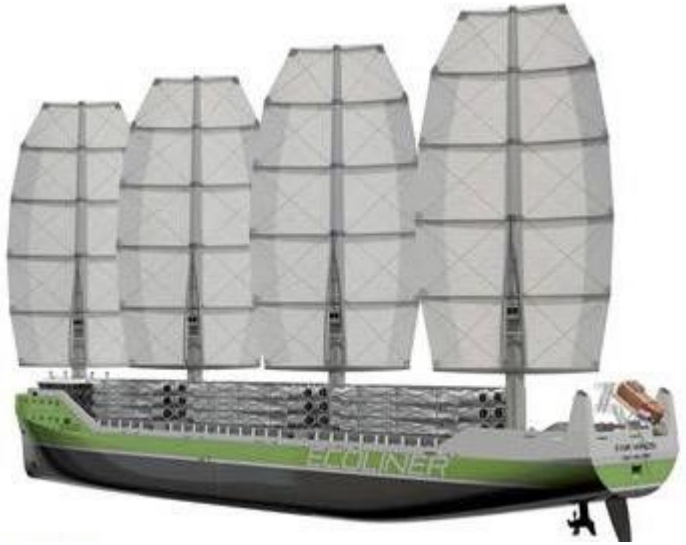
HOW?

3. INSTALL SCRUBBERS

- Installing exhaust gas cleaning technology in the chimney of a vessel

Pro:	Con:
Cheaper fuel remains	Capital constraints = expensive
Relative low investment	Limited dry docks to do the instalment
Fast ROI (*)	Availability of scrubbers

IS IT TIME FOR BACK TO THE FUTURE?



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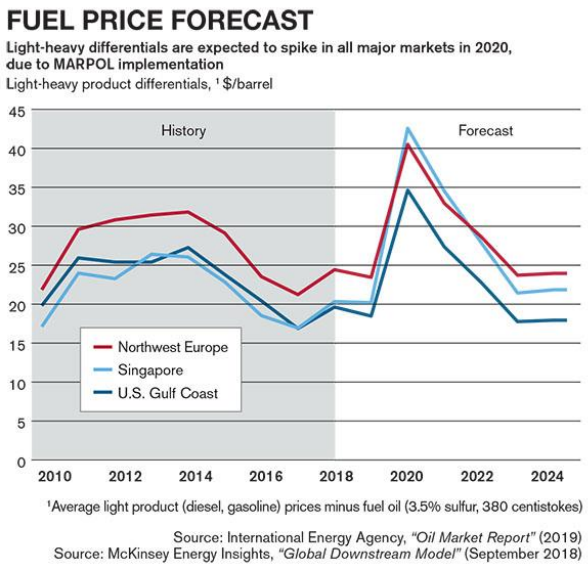
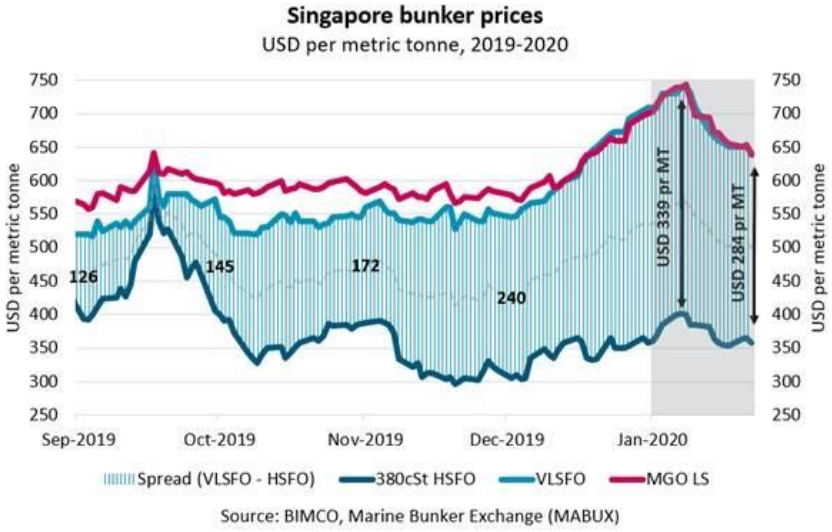
WHEN?

- When will there be clarity on what this will cost shippers?
- When will there be stability in the freight market?
- When will the emergency bunker surcharges stop?
- When is an environmental surcharge not a bunker surcharge?
- When will there be clarity on how this will be enforced globally?





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CARRIER'S QUANDRY

- Caveat Emptor:
- "It's the Wild West," Panos Zachariadis, technical director at Atlantic Bulk Carriers Management, said at the Naftemporiki Shipping Forum.
- Fuel samples are a particular case in point, argued Zachariadis, who also sits on Bimco's marine committee. Those samples are supposed to be taken at the ship's manifold, but that almost never happens. Bunker suppliers usually deliver their own samples instead, which crews have to accept in a take-it-or-leave-it scenario.
- That widespread practice leaves shipping companies in a weak legal position. If follow-up tests show the fuel exceeding the 0.5% sulphur cap, it is very difficult to prove that the responsibility lies with the bunker supplier rather than with the vessel.
- Poor dry bulk freight rates undermine shipping companies' position further. Anxious to find employment for their vessels, shipowners often grudgingly bow to charterers' pressure to drop from Bimco clauses that would bolster their position in fuel disputes.
- "Either you take the Bimco clauses out or your ship remains unchartered," Intercargo president Dimitris Fafalios said.

*source: TradeWinds 27 January 2020

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CARRIER'S QUANDRY

- No Consistency in Enforcement:
- Uneven enforcement of the rules by port-state control is another headache. The IMO has left individual port-state authorities too much leeway in setting penalties, said Lars Nielsen, the Piraeus-based executive group director of bunker supplier BMS United.
- "We're hearing about a $15,000 fine in China, while the Belgians say they will impose penalties of €2m ($2.2m) or €3m. This is totally ridiculous," Nielsen said.
- Bad blood has also been building between small and big shipping companies. As demand for low-sulphur fuel rises, smaller rivals see themselves pushed out of the market.
- "Big firms can arrange bunker hedging, supply contracts," Fafalios said. "But a small company passing Singapore once every three months can't cope."

*source: TradeWinds 27 January 2020

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AND ON A FINAL NOTE . . .

Pioneering Compagnie Maritime Belge (CMB), which turned 125 on January 24, is set to become the first shipping line in the world to be net zero.

CMB has announced all its carbon emissions will be offset starting this year, and long term the company, a leader in hydrogen propulsion, has pledged to invest in new technologies to operate a zero-carbon fleet by 2050.