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**FUJAIRAH BUNKERING &
FUEL OIL FORUM**

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Press Clipping

IMO Emissions Deadline Looms Large For Bunkering Industry

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By: Peter Shaw-Smith, Middle East Correspondent, IHS Fairplay



Fujairah is the world's second largest bunkering hub. Credit: Southern Cross Maritime

The dawning realisation that the time for inaction is running out provided a sobering backdrop to debate on the first day of the Fujairah Bunkering and Fuel Oil Forum in the United Arab Emirates on Tuesday (28th March).

A refining industry expert said shipping could be left “holding the bag” in a faceoff with refiners over who would bear the capital costs of solutions to global environmental problems, as the industry kicks the can down the road and waits to see which remedies should best be implemented in response to stringent new IMO emissions standards coming into force on 1 January, 2020.

“The onus on meeting the special restrictions is on the shipowners. refiners and the bunkering agents [that] provide the fuel. Ultimately, the person that’s accountable for the regulations is the shipowners,” Michael J Cleveland, global business director, refining, process technology and equipment at Honeywell UOP, told Fairplay on the sidelines of the event, organised by Singapore’s Conference Connection.

As the regulations draw closer, the industry is increasingly worried, and the talk in Fujairah can have done little to allay shipowners' fears. The perils of noncompliance with IMO mandates are an everapproaching reality leading them to wonder if current investments can be justified longterm.

Everyone was waiting to see what strategy to adopt and how he should be rewarded, amounting to a game of "chicken" between shipowners and refiners, Cleveland predicted.

Nigel Draffin, independent consultant and board member of the International Bunker Industry Association, said implementation of global regulations, security of compliance and enforcement would be major issues governing the success of the IMO standards.

Compliance appeared to have been good on the last emission control area (ECA) milestone, in 2015, when the IMO mandated a shift from 1.0% to 0.1% sulphur limits in certain areas of the world. "The availability of 0.1% sulphur fuel was better than expected. The anticipated price impact of the 2015 shift to 0.1% sulphur was softened by the oil price collapse."

He said meeting the demand for maximum 0.5% fuels in 2020 would likely require blends involving fuel oil and various other components. "Will all these theoretical blends be suitable for marine use? The step change (this time) will be about 120 million metric tonnes per year worldwide, out of a total of 270 million tonnes per year. Getting on for half the world's market is going to have to change in one day."

He predicted that a majority of shipowners would leave a decision on technology implementation until the last possible moment, and would then find that scrubber suppliers had insufficient stock to meet demand. He said a straw poll finding at the conference that only 11% of regional owners would adopt scrubber solutions did not reflect vessel size and type.

Ara Barsamian, president of the US' Refinery Automation Institute, said that five alternatives were available to 0.5% intermediate fuel oil (IFO) bunkers: scrubbers costing USD5 million apiece; switching 100% to marine gas oil (MGO) at around USD200 per tonne extra; switching to ECA hybrid fuels at an extra cost of USD150 per tonne, using low sulphur fuel for IFO at USD50100 above IFO380 at 3.5% sulphur, or "ignoring the IMO and continuing to use heavysulphur IFO380 on the high seas."

Especially in a region like the Middle East, where compliance regimes have yet to be fully tested, there was a lot of talk that shipowners would prefer to bear fines for evading IMO directives than get into the costs of implementing the solutions being called for.

One bunker trader from Fujairah, who requested anonymity, said 2020 as the implementation year for IMO emissions standards was unrealistic. "2020? 2025? It's not going to happen. Not even by 2030."

"You are not going to have the sulphur police chasing you in the Indian Ocean," Barsamian added.

"Think of remote parts of the world like South America and Africa. Who is going to be checking on compliance?" asked Captain Qaisar Qayyum, bunkering operations manager, VTTI Fujairah Bunkering.

Global oil expert, Dr Fereidun Fesharaki, chairman, Facts Global Energy, said OPEC was likely to implement a USD10 price band on oil to help bolster price levels, which he predicted would not rise above USD52 by year's end.

Opinions differ on when LNG bunkering will be introduced as a marine fuel. Following the Fukushima nuclear disaster in 2011, the Japanese were moving heavily into the LNG value chain, Fesharaki said. Toyota is understood to be demanding that its cars be shipped using liquefied natural gas (LNG)powered ships by 2020.

As the world's second largest bunkering hub, Fujairah is anxious to implement LNG bunkering. An FLNG solution is to be installed south of the port in April for shiptoship LNG bunker delivery, Capt. Mousa Murad, general manager, Port of Fujairah, told Fairplay. But he said that he did not expect this to be implemented until after 2020. "We are (still) looking for (our first) customer," he said.

Andrew Laven, managing director, Bomin Oil DMCC (Dubai Metals and Commodities Centre), said there was no incentive in place for anyone to act on emissions standards now. “LNG is something for the future. It is very capital intensive. For most shipowners, they will wait to the last minute and take a decision,” he said. “If the IMO had mandated 2025 as [the] implementation date, and we were having this conversation in 2022, we would be in the same position.”