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ANALYSIS: Adoption of New ISO 8217 Marine Fuel Standards set to be Low

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- Pool of marine fuels increased with inclusion of FAME biodiesel
- Effect on ship engines from higher biodiesel still to be seen
- Grade rationalization high on agenda ahead of 2020 sulfur limit

Adoption of the International Organization of Standardization's latest marine fuel standard -- ISO 8217:2017, released on March 19 -- is likely to be fairly slow as the bunkering industry digests the new specifications and ship operators and owners assess the impact on their ships' engines as well as on pricing.

Change doesn't happen quickly in the bunker market, particularly in Asia, where the majority of the market still uses ISO 8217:2005 as a reference point even though there have been two subsequent editions -- ISO 8217:2010 and ISO 8217:2012.

"Most people still use ISO 8217:2005 here as they think 2005 is good enough," one industry source in Asia told S&P Global Platts, adding that unless the International Maritime Organization enforces use of the new standards, adoption would be slow. Even though it is not mandatory, some feel that some of the more established players in the bunker industry will lead the switch to the new standards.

No changes have been made to residual fuel oil standards in the latest edition of ISO 8217. However, in the newly defined "class F" grades, up to a 7% blend of fatty acid methyl ester (FAME) is allowed. FAME is a biodiesel which has similar physical properties to conventional diesel but is non-toxic and biodegradable.

The specifications for distillate grade DMA, another type of marine fuel, have also become more lenient with respect to biodiesel, rising to 0.50% percentage weight in 8217:2017 specs, from a 0.10% suggested level in the previous iteration five years ago.

"It is good that the ISO has included the section on FAME. The marine bunker industry has a greater pool to choose from rather than rely strictly on petrochemical products [for blending purposes]," Vivek Vijayaraghavan, technical support supervisor at Intertek ShipCare, said on the sidelines of the 10th International Fujairah Bunkering & Fuel Oil Forum (FUJCON 2017) this week.

"The market in 2020 will have a wide variety of fuels and the whole objective of the ISO 8217 is to provide a commercial standard for the entire industry," he said.

The latest edition of ISO 8217 does not however take into account specifications for ultra low sulfur fuel oils, industry sources noted.

This was perhaps because the ISO started developing this standard at a time when ultra low sulfur fuels didn't really exist, Vijayaraghavan said.

Due to large variations within the various parameters of these fuels, assigning grades to each blend is not straightforward.

However, with the International Maritime Organization's decision to introduce a global 0.5% sulfur limit for marine fuels from 2020, grade rationalization is high on the agenda for ISO's ongoing consultations with the industry, Muhammad Usman, Product Manager, Fuel Advisory at Lloyd's Register EMEA, said in an email statement to S&P Global Platts.

"To achieve desired results for the next edition, all industry stakeholders need to pull together their expertise," he said.

Signing a contract for ISO 8217:2017 will also likely mean higher costs for customers -- ship owners and operators -- as the quality of fuel improves, according to various sources.

This has already been seen in the past. In some Asian countries, ISO 8217:2010 specs can command as high as a \$6/mt premium over ISO 8217:2005 because more parameters were added, a ship owner said on the sidelines of FUJCON 2017.

Although the latest sixth edition adds cloud point and cold filter plugging (CFPP) characteristics to winter grades of DMA and DMZ, it doesn't specify the permissible or desired CFPP level that ship operators should accept, another source in the marine fuel testing industry noted.

The risk of contamination is also very high as the FAME level has been raised, he said.

"Inclusion of FAME may or may not affect engines. This is yet to be seen," Anju K Bishnoi, senior sales & technical consultant at marine fuel testing and solutions company Maritec, said on the sidelines of FUJCON 2017.

'GOOD JOB'

Lloyd's Register's Usman said: "Overall, if we look at the latest ISO 8217 edition, under the challenging circumstances [ISO's working group] did a good job."

He encouraged ship operators to adopt the new standards as they will give "better protection." For example, suppliers are bound to provide additional information about cold flow characteristics of distillate fuels, "helping ship operators make an informed decision," he said.

He also noted that the latest edition provides more clarity to clause 5 of ISO 8217, which deals with general requirements and had in the past been the cause of some confusion.

Rahul Choudhari, managing director at fuel quality tester Veritas Petroleum Services (VPS) in Singapore, told Platts by email last week: "Yes, we would support this new development [ISO 8217:2017] and the shipping industry must be forward looking to adopt it."