IMO 2020 – Low Sulphur Webinar
by Scan Global Logistics

SCAN GLOBAL LOGISTICS
MAKING THE WORLD A LITTLE LESS COMPLICATED

October 24, 2019

WEBINAR - PRACTICAL INFORMATION

- WE EXPECT THE WEBINAR TO TAKE APPROXIMATELY 45 MINUTES

- ALL ATTENDEES WILL BE MUTED DURING THE SESSION FOR PRACTICAL REASONS

- QUESTIONS TO BE RAISED VIA CHAT/QUESTIONS FUNCTION AND WILL ADDRESSED AT THE END

- WE WILL SHARE A Q&A DOCUMENT AFTER THE SESSION

- QUESTIONS THAT MIGHT ARISE AFTER THE WEBINAR CAN BE SENT TO MADR@SCANGL.COM

- A RECORDING AND COPY OF THE PRESENTATION WILL BE SHARED AFTER THE SESSION

- ALL INFORMATION PROVIDED DURING THE WEBINAR IS TO BE CONSIDERED AS GUIDANCE ONLY

- SCAN GLOBAL WILL CONTINUE TO KEEP YOU UPDATED ON IMO 2020 IN THE COMING MONTHS

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SeaIntelligence Consulting

IMO 2020 - What is happening?
Webinar for Scan Global Logistics

Oct 2019

Lars Jensen
CEO, Partner

SeaIntelligence Consulting

Lars.Jensen@Seaintelligence-Consulting.com

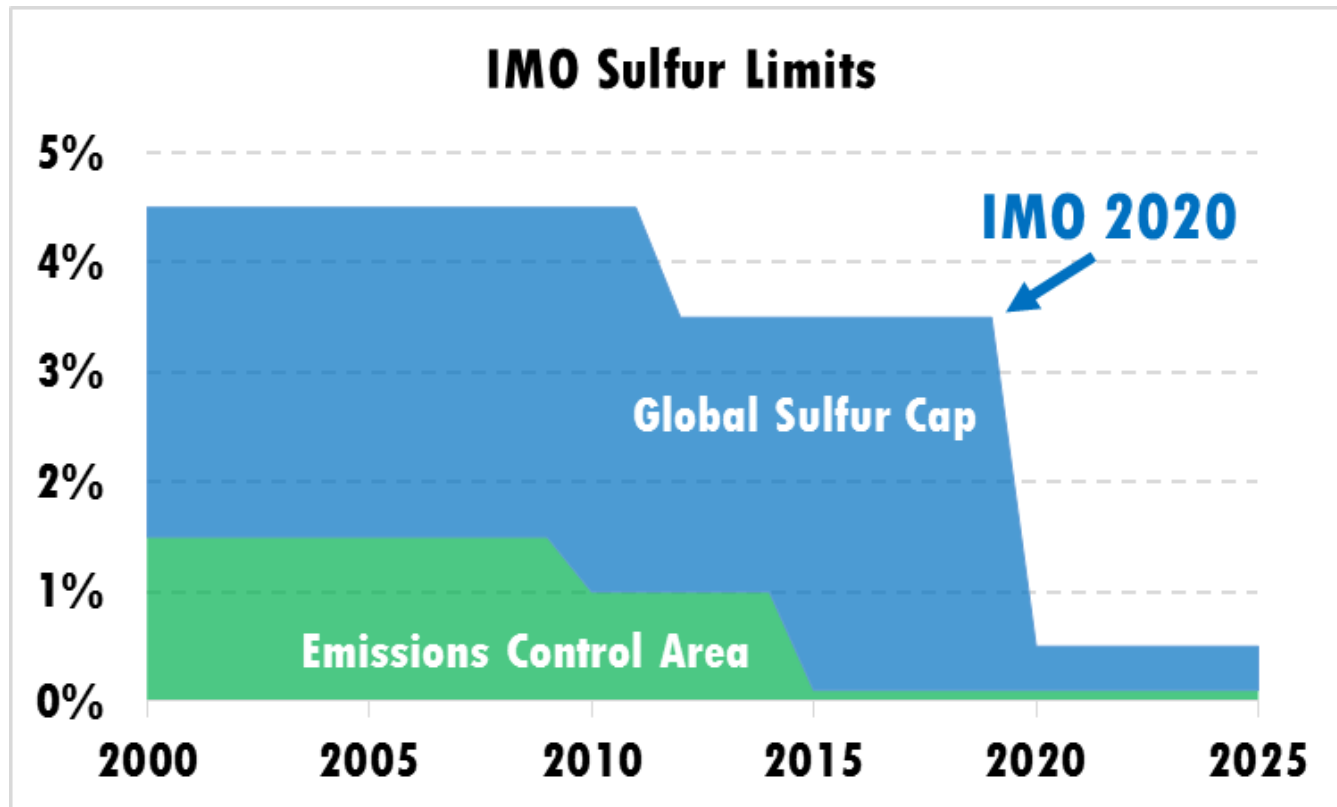Webinar for

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Key topics today

- What is IMO2020

- What will be the impact

- What comes next – IMO2050 ?

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What is IMO 2020 ?

This is not new – it was agreed more than 10 years ago

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Why IMO 2020?

A study from Finland in 2016 when it was considered to delay implementation

If shipping did not implement IMO2020 this would result in 570.000 premature deaths in the period 2020-2025

Combined Cardiovascular and Lung Cancer Mortality from Delay (LL): 108619
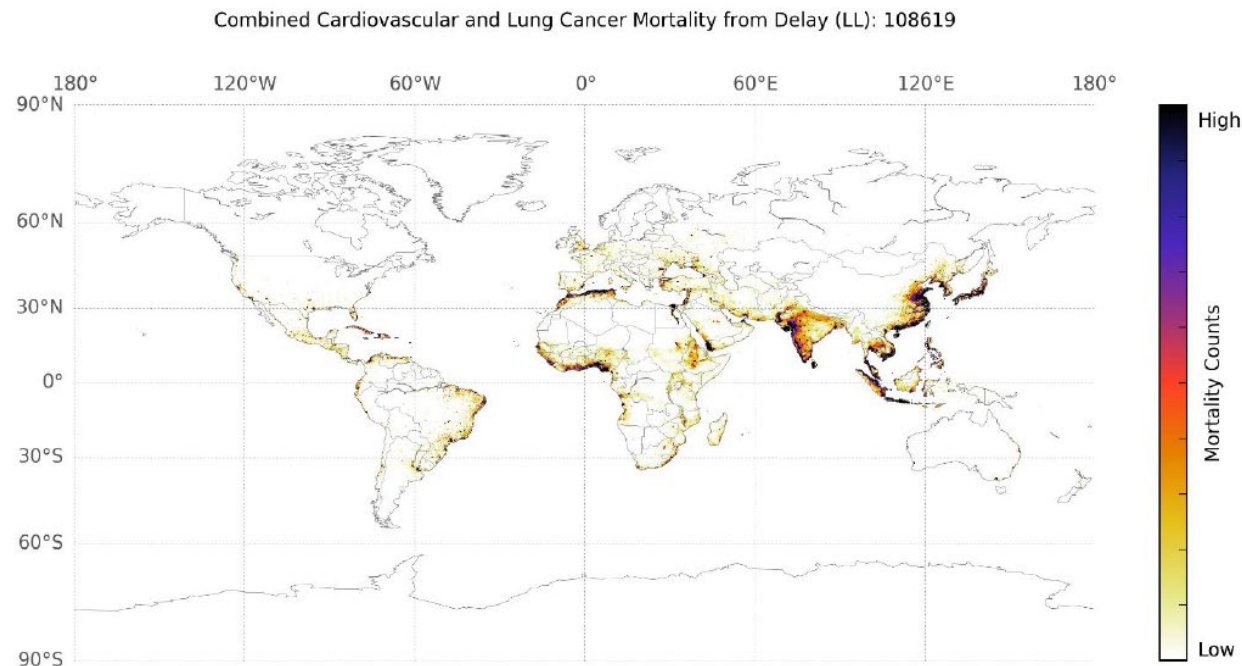
How to comply with IMO 2020

- 3 paths to comply:

  - Use scrubbers
  - Use LNG
  - Use low-Sulphur fuel

Using LNG

- Solves the Sulphur issue

- Very few LNG powered vessels

- Does not solve greenhouse gas emissions problem

Using Scrubbers

- Makes vessels compliant

- High up-front capital cost: 2-5 million USD per vessel

- Takes 3-6 weeks in a yard to install

- What to do with the Sulphur sludge

- Open-loop versus closed-loop?

Using Low-Sulphur fuel

- Will be the most widely used solution

- Potential initial availability issues in some ports

- Potential fuel quality issues

- Significant price premium
  - Current heavy fuel ~450 USD/ton
  - Expected low-Sulphur ~700 USD/ton
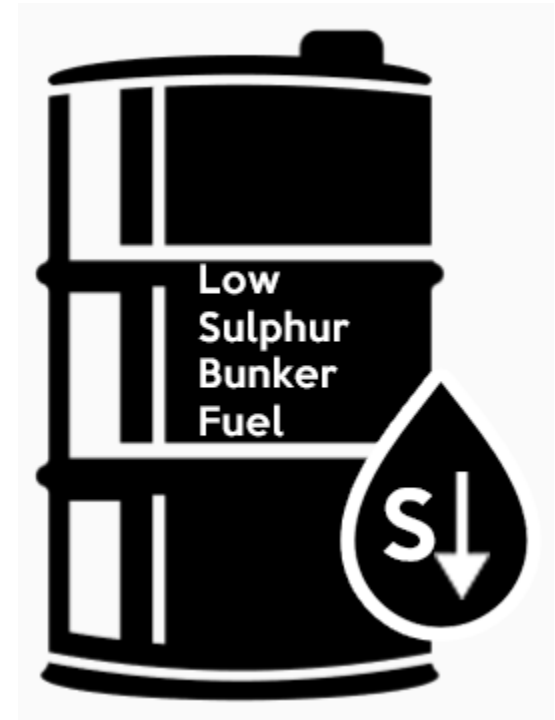
The cost issue

The added costs for the container liner industry will be 10-15 Billion USD annually

This exceeds the carriers' combined total profits from the past 8 years

The carriers cannot absorb this cost – cargo owners have to take this on

BAF

Table 1: New BAF levels per carrier (USD/TEU)

	Bunker price (USD/ton)							
	400	450	500	525	550	600	650	700
Asia-North Europe								
Maersk Line	240	270	300		330	360	390	420
MSC	248	279	310		341	372	403	434
Hapag-Lloyd	213			262			311	
ONE Line			125		153	180	208	236
North Europe - Asia								
Maersk Line	140	157.5	175		192.5	210	227.5	245
MSC	96	108	120		132	144	156	168
Hapag-Lloyd	213			262			311	
ONE Line			100		122	144	166	188
Asia-USWC								
Maersk Line	195	219.5	244		268	292.5	317	341.5
MSC	200	225	250		275	300	325	350
Hapag-Lloyd	130			161			191	
ONE Line			90		112	135	157	179
USWC-Asia								
Maersk Line	45	50.5	56.5		62	67.5	73	79
MSC	40	45	50		55	60	65	70
Hapag-Lloyd	130			161			191	
ONE Line			46		57	68	79	81

Widely different approach by each carrier – yet all are closely linked to oilprice developments
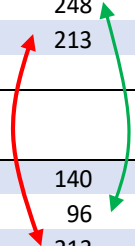
Enforcement?

Rule is quite simple: Carriage ban on heavy fuel from 1 March 2020 unless you have a working scrubber

Key countries likely to enforce

Only minor countries might absatin from enforcing – example: Indonesia cabotage
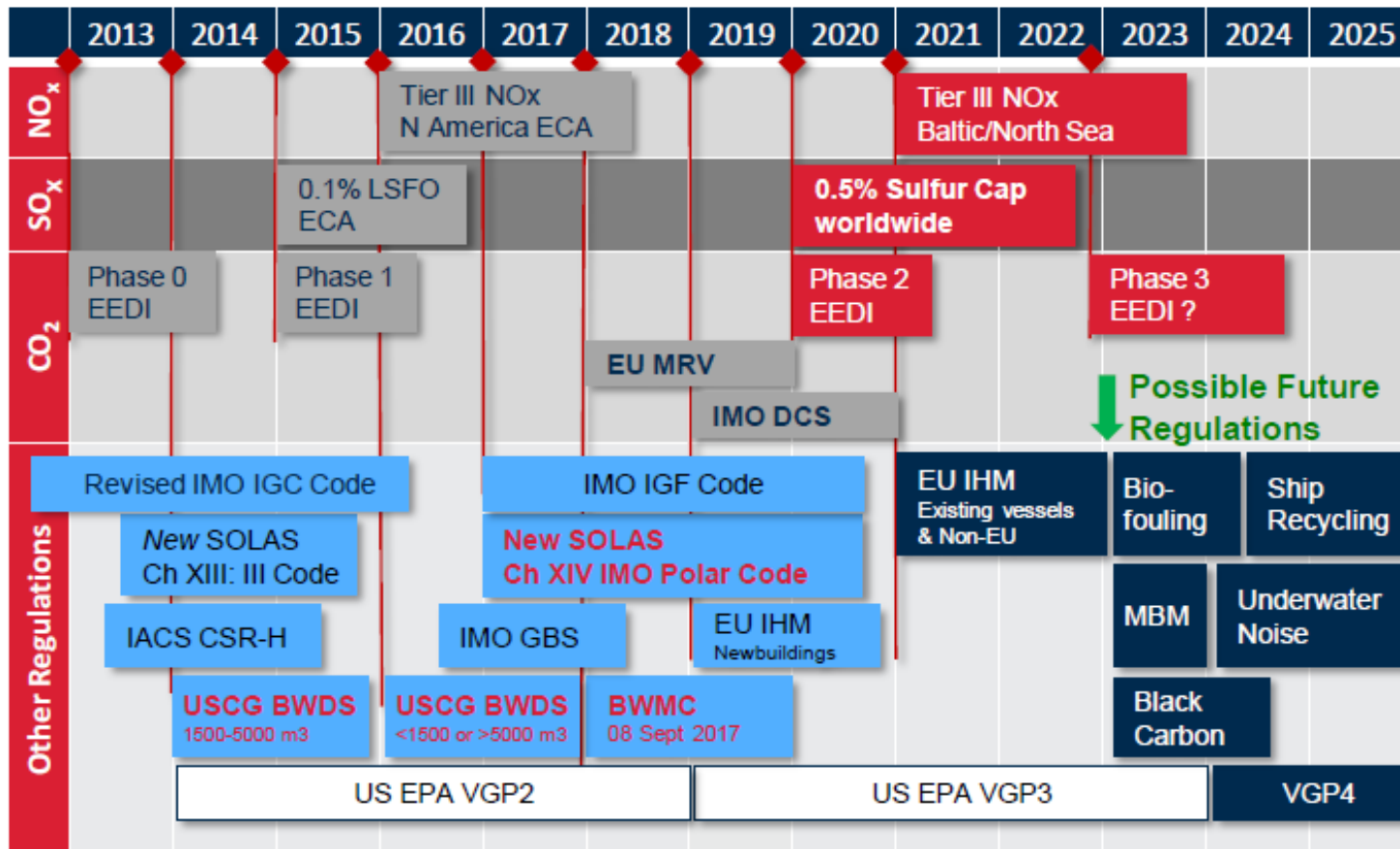
Will it be a rocky ride?

Two basic scenarios:

1) Orderly transition – you will experience nothing apart from an increased bill

2) Carriers unable to cover fuel cost increase. Significant cancellation of services in Q1 creating supply chain disruptions in Q1/Q2. Rates go up and back to normal in 2nd half 2020
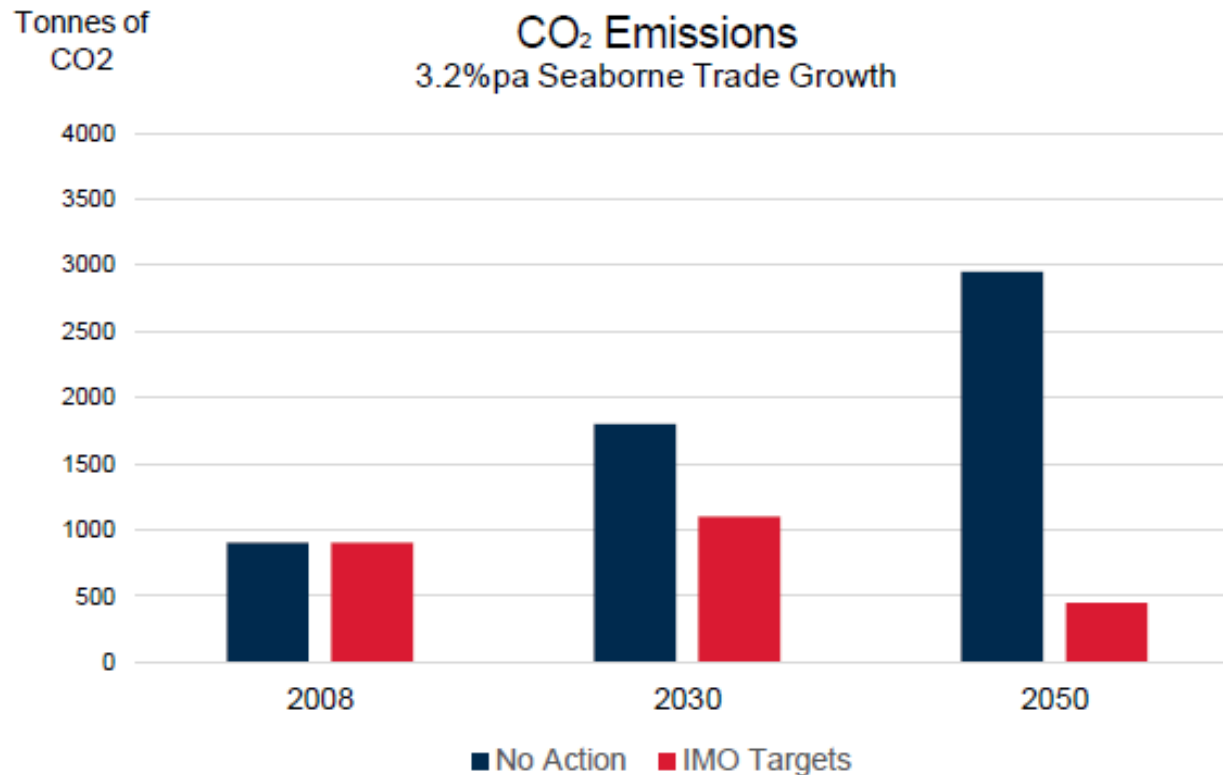
This is only the beginning

IMO2020 is a minor issue seen in a longer perspective

IMO2050: Carbon emission targets

Tonnes of CO2 — CO₂ Emissions — 3.2%pa Seaborne Trade Growth — No Action / IMO Targets — 2008, 2030, 2050

Questions ?

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