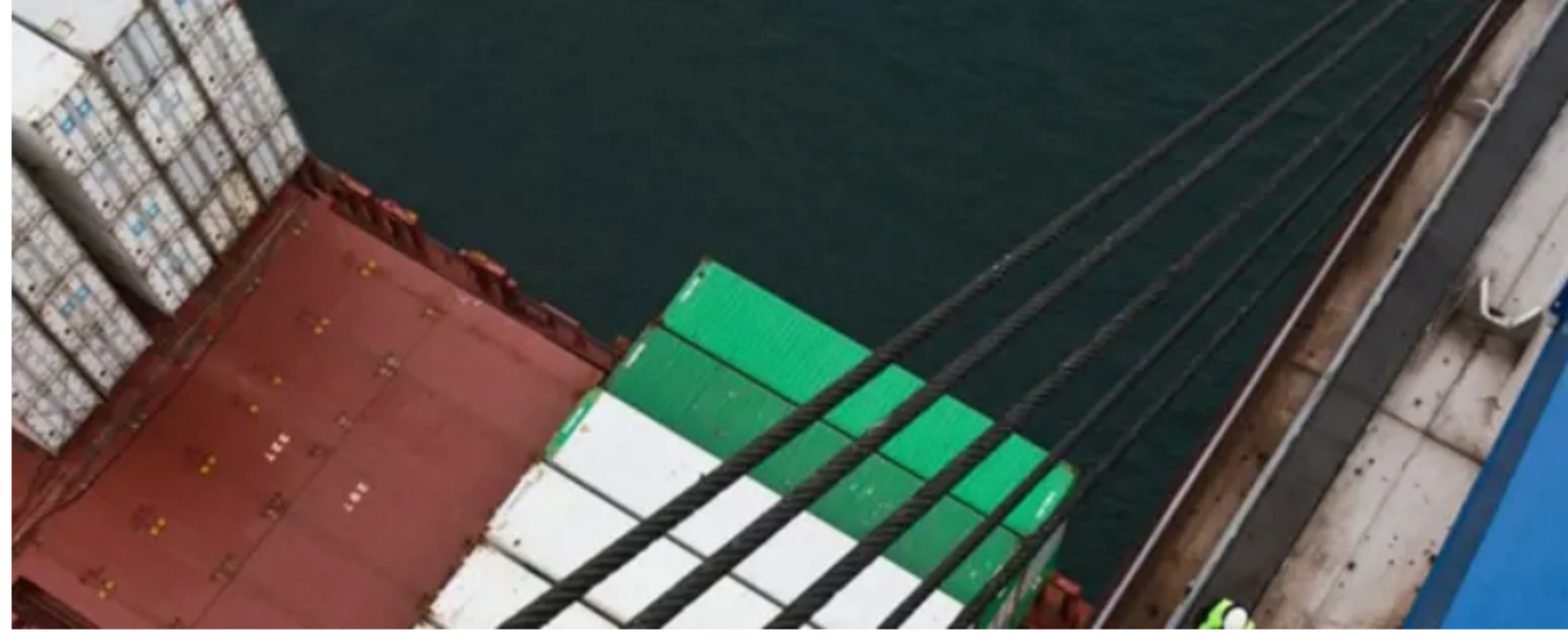


News

Update: IMO 2020 regulation

29 Mar, 2019 | Share



As of 2020, all ships will be required to use fuel with 0.5% Sulphur content or less on all oceans around the world.

With less than a year away until the change, refinery investments and ship scrubber installations still appear insufficient. Compliance measurements are unclear - compliance is harder to enforce in open seas than in coastal areas and full compliance in some parts of the world is unrealistic.

The IMO 2020 Sulphur cap leaves the carriers with 3 options

- Simple compliance = use the 0.5% fuel
Compliant fuels are expected to price at a premium to HSFO
- Adapt vessels = install scrubbers and use HSFO
Regular and technical uncertainty, but believed to increase fuel consumption and CO2 emissions
- Alternative fuel vessels = deploy LNG fueled vessels
Significantly lower exhaust gas emissions than compliant fuel, but bunkering logistics is not yet sufficiently available in all ports

The LNG solution is probably the best solution in terms of environmental footprint reduction, but replacing current fleet with LNG vessels will take decades and consequently it is not an option as a single, short-term solution.

Furthermore, strengthening crude demand due to the geo-political climate (Iranian crude sanctions, falling Venezuelan output and instability in Yemen and Syria and tense relations between the US and Saudi Arabia) account for rapid rise in bunker.

The compliance impact estimates that 300 vessels are expected to be fitted with scrubbers in 2019, which will result in a capacity reduction of 170,000 teus at any one point in time.

IMO 2020 message from the carriers

The estimated cost to comply with the IMO 2020 for the shipping industry is USD 60 billion. The estimated impact on the container shipping industry is USD 15 billion, which is believed to land at an average cost of USD 160 per teu. However, this will be further defined.

All carriers are sending the same message;

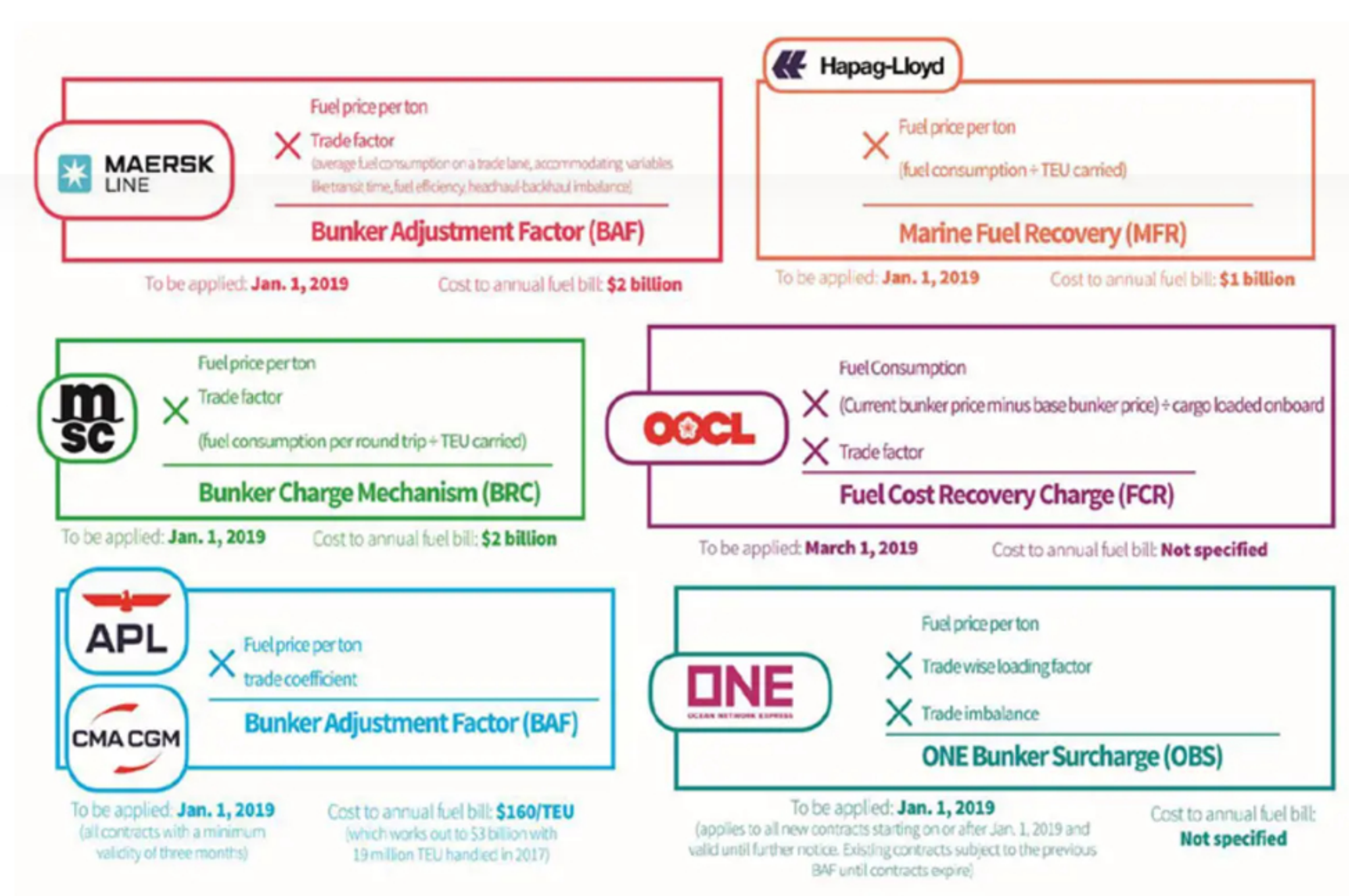
- No long-term contracts with fixed bunker clauses will be accepted
- Floating bunker with monthly or quarterly reviews
- LSS charges will be passed on the shippers/consignees

The LSS cost will be introduced during Q4, 2019, since the vessels will have to fuel up prior to Jan 1st depending on route and whereabouts. The IMO regulation will be in place as of Jan 1st, and all vessels sailing from that date have to be compliant with the IMO 2020 regulation.

No transparent calculation yet

There is no standard concept for the cost calculation of the Low Sulphur implementation. Each carrier has developed its own calculation based on consumption, actual port prices, distance & transit time, variable speed, trade-lane fleets and ECA/SECA exposure. We are working together with our suppliers to receive a fair, accurate and transparent reimbursement model of the cost.

Below please see copies of the calculations various lines are presently presenting.



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