

Fuel for thought in coming cap crunch

CHRIS RAY THE AUSTRALIAN 12:00AM June 15, 2018

A critical deadline looms for ships and the ports that service them — January 1, 2020. That is when a new cap on sulphur in marine fuel that powers the world's largest diesel engines comes into force.

Ships will be required to burn fuel with no more than 0.5 per cent sulphur content outside emission control areas unless they are fitted with exhaust gas cleaning systems known as “scrubbers”. The current legal limit is 3.5 per cent.

The cap is mandated by the International Maritime Organisation, the UN agency that sets safety and environmental standards for global shipping.

A study submitted to the IMO by Finland in 2016, estimated the 0.5 per cent ceiling would help prevent at least 570,000 premature deaths worldwide between 2020 and 2025. The new limit was high on the agenda of the International Chamber of Shipping when it met in Hong Kong in May.

ICS chairman Esben Poulsson warned “the smooth flow of maritime trade could be dangerously impeded” if governments failed to fix implementation issues for the cap in the next few months.

“At the moment, no one knows what types of fuel will be available or at what price, specification or in what quantity. Unless everyone gets to grips with this quickly we could be faced with an unholy mess with ships and cargo being stuck in port,” Poulsson said.

Most global shipping is likely to opt for a blend of oils to comply with the 0.5 per cent cap, says Angela Gillham, deputy chief executive of Maritime Industry Australia Ltd, which represents Australian ship operators.

However, Gillham predicts blended fuel oil probably will not be supplied to Australia because its market is considered too small.

“That would force operators to use automotive diesel, which is ultra-low sulphur fuel and significantly more expensive,” she says.

Ports are landlords and it is their tenants that supply fuel to vessels via direct contracts. Also, the new sulphur requirements will be policed by the Australian Maritime Safety Authority rather than state -controlled port authorities.

“Globally, this is an issue that keeps ship operators up at night,” Gillham says.

“It is really difficult to pin down which party will be responsible for ensuring compliant fuel is available. The market will take care of some of these issues eventually but in the short term, there are a lot of unknowns.”

She says an alternative could be to convert to liquefied natural gas (LNG), which produces negligible sulphur oxide emissions.

“LNG has been a chicken and egg scenario,” she says. “Vessel operators are reluctant to make the substantial investment needed to convert to LNG without the port infrastructure to guarantee supply but no one is going to build the infrastructure unless they have guaranteed customers.

“However, several vessels on the Bass Strait trade are looking to convert to LNG and Woodside are putting a lot of effort into LNG bunkering in WA.”

Ports Australia policy director Ashween Sinha agrees security of supply is a “legitimate concern” given Australia’s relatively small market and the fact that visiting ships tend to be older and more highly polluting than bigger, newly-built vessels.

However, “failure to guarantee supply is not an option”, Sinha insists. “As set out by the IMO, every port will have to be able to provide low-sulphur fuel by 2020. Ports will have to engage with suppliers to ensure its availability.”

Foreign vessels that visit Australian ports almost always refuel overseas where prices are lower.

Chief executive of NSW Ports, Marika Calfas, does not expect a supply shortfall at Port Botany and Port Kembla. “We anticipate that the fuel supply industry will adapt to ensure that sufficient low-sulphur fuel is available,” Calfas says.



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