



IMO 2020 to drive focused talent demand – Part II

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With the IMO 2020 fuel standard drawing closer, the industry is asking questions about the availability of low-sulphur bunker fuel

Around 18 months remain before the International Maritime Organisation's regulation (IMO 2020) limiting the sulphur content of bunker fuels comes into force. From 1 January 2020, shipping companies will be limited to the use of bunker fuel with a sulphur content no higher than 0.5pc – a steep reduction from the current limit of 3.5pc.

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It is clear that in the absence of the widespread installation of scrubbers to ships' engines, or the switch to alternative fuels, shipowners will have to start consuming low-sulphur bunker fuel to meet the IMO regulation. With the change set for the beginning of 2020, this suggests that operators will have to start buying low-sulphur fuel in late 2019 in order to avoid a shortfall.

Refiners have responded to IMO 2020 by saying that they will offer compliant fuel blends. Many of the major refiners have made this pledge, but there is still only a broad sense of progress being made or of when the fuels will be ready to market.

News of progress on the increased availability of low-sulphur bunker fuel is of course encouraging for shipowners, but this route to compliance throws up other questions. One of these is how standardised the fuel specifications will be. If, for instance, fuel

offered by one refiner does not mix well with that produced by another, shipowners without the ability to segregate fuels in vessels' tanks could face safety issues. This problem could force an industry-wide fuel-specification agreement, which would take time to put in place. In the meantime, fleets without the ability to segregate fuels could face service interruptions.



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Another issue likely to be thrown up by the widespread use of new bunker fuel blends is that of price. As the market for low-sulphur blends becomes suddenly more liquid, prices at bunkering hubs will rise in line with rapid demand growth. This will put financial pressure on the shipping industry, and there is likely to be some price volatility as buyers and sellers adapt to the change.

These potential issues aside, most of the big names in refining are working on solutions. Royal Dutch Shell and Total have promised to supply customers with low-sulphur bunker fuel, BP presented two 0.5pc sulphur blends to shipowners in February at IP Week in London, and Italian refiner ENI announced in May that it plans to make a 0.5pc fuel available for testing at the end of this year. Russia's Lukoil plans to have a low-sulphur blend produced at its 290,000 b/d Volgograd refinery ready to market in late 2019, and ExxonMobil announced in April that it will have IMO-compliant fuel on sale before 1 January 2020.

The fuel-supply and therefore market issues facing the shipping industry will not be solved by the refiners and the market alone. We expect that shipowners will respond to the situation by hiring staff from downstream oil markets in order to have expertise in all aspects of bunker fuel trading, storage and specifications in place. This will give companies the know-how needed to navigate the market-level change that will happen as IMO 2020 comes into effect.



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