BUSINESS DAILY

Shipping & Logistics

Pollution rules could raise shipping costs

Tuesday, July 2, 2019 19:14

Summary

- The guidelines support implementation of the lower 0.50 per cent limit on sulphur emissions from 3.5 per cent in ships' fuel oil.
- There have been fears that the new rules might result in an increase of freight rates.

With the International Maritime Organisation (IMO) approval and adoption of guidelines to reduce gas emissions from ships by 2020, focus has now shifted to the local shipping industry's preparedness to comply with the new regulations.

The guidelines support implementation of the lower 0.50 per cent limit on sulphur emissions from 3.5 per cent in ships' fuel oil, which will enter into effect from January 1, 2020, as resolved by the IMO Marine Environment Protection Committee (MEPC) two months ago.

The January 2020 implementation date was adopted in 2008 and confirmed in 2016. The organisation has been working with member states and the industry to support implementation of the new limit, including the preparation of amendments to MARPOL Annex VI (referring to prevention of air pollution from ships) and development of guidance and guidelines.

"Enforcement, compliance with and monitoring of the 2020 sulphur limit is the remit and responsibility of states party to MARPOL Annex VI. Most ships are expected to utilise new blends of fuel oil which will be produced to meet the 0.50 per cent limit on sulphur in fuel oil or compliant marine gas/diesel oil," the IMO said.

The IMO also adopted verification issues and control mechanism and actions, including port state control and samples of fuel oil used on board; a standard reporting format for fuel oil non-availability (fuel oil non-availability report (FONAR); and possible safety implications relating to fuel oils meeting the 0.50 per cent.

According to the IMO, the move will bring in considerable benefits for the environment and human health. “The stricter limit will be applicable globally under IMO’s MARPOL treaty and in designated emission control areas (ECAs), the sulphur limit will remain at 0.10 per cent,” the IMO said.

However, with only six months to the deadline in the implementation of the new rules that promise to shake the ground, the global shipping industry has been thrown into a spin, since there are modifications that must be done on the engines of vessels which will come at huge costs.

Kenya Ship Agents Association (KSAA) chief executive officer Juma Tellah said most shipping lines have complied, by fixing scrubbers in the vessel engine. The scrubber removes or neutralises exhaust gases, which after combustion are harmful to the environment. A wet scrubber is used for cleaning air, fuel gas or other gases of various pollutants and dust particles.

The modifications on engines will come with huge costs to shipping lines, depending on each line’s choice of equipment.

“Some shipping lines have adopted such less expensive modifications and we expect that by January next year they will all have complied. This is a serious regulation whose implementation started way back in 2005 and it must be complied with. There is no option and shipping lines are either in it or out of business,” Mr Tellah told Shipping & Logistics in a telephone interview.

He however warned that the lines might pass the expenses to shippers by introducing a surcharge, which is likely to increase the cost of importing goods. This would most likely be factored in a fuel surcharge and not increase in freight rates, he noted.

“Each shipping line might come up with their own surcharge which will be an advantage to the shippers because they will have a choice,” he said.

“As we speak now, there are some ports that have already complied and it is illegal to send ships that have not complied to those ports, or else you will be heavily penalised. Messina vessels also have even electric wire in case a port is equipped to supply electricity to the vessels while at the berth,” Mr Tellah added.

Maersk Line is for instance working on reducing sulphur emissions in their ships. The shipping line said the organisation is looking into all possible and available options to comply with the 2020 sulphur cap, that is low sulphur fuels, LNG and scrubbers.

Various initiatives are being taken to secure the right compliant fuels at the best possible price. Investments have been made in scrubbers for a limited number of vessels, it said.

“To enable customers to plan for 2020, Maersk has introduced a simple, predictable surcharge (BAF) to recover the extra costs and also various initiatives are being taken to secure the right compliant fuels at the best possible price," Maersk said in a statement recently.

The Kenya Ports Authority (KPA) is also implementing a project that involves installation of a power station and provision of electricity at berths where vessels will plug in after engines are switched off. Mr Daniel Githinji, the officer in charge of environment at the Mombasa port, said the project was at the tendering stage, and they expected that the authority will be able to provide power in the next few months. He dismissed fears that the project will fall behind schedule, with only six months to go.

"Electricals don't involve a lot of civil works and the moment the tender is awarded, technicians will move in and install the power," he said in a telephone interview, adding that the project is a partnership between the IMO and the KPA, with no added cost to the shipping lines. "The initiative is meant to introduce clean energy into the shipping industry and work as an incentive for the shipping industry. The Authority will not billing shipping lines for the service," said Mr Githinji, adding that the cost of the project had not yet been agreed upon until the procurement process is complete.

However, according to sources at the port, the project is estimated to cost in the upwards of Sh200 million.

The government has also said measures had been put in place to control greenhouse gas emissions from ships. According to Shipping and Maritime Affairs Principal Secretary (PS) Nancy Karigithu, as a member of the IMO, Kenya is obliged to make sure that the greenhouse gas emissions from ships is controlled.

"We are full aware of it and working within the IMO as members, it is our obligation to have this matter take centrestage in international shipping," she said.

Mrs Karigithu said that Kenya has ratified the Marpol Convention that has six annexes that address different issues of marine pollution.

"Maple annexes six specifically address itself to air pollution and Kenya has ratified maple annex six. We have gone further to bring awareness on the obligation that the government has in terms of addressing maple and also gone further and become champions of the same issue in Africa," she said in an earlier interview.

The government was working on the project through the Maritime Technology Corporation Centre (MTTC) which seeks to address the issue of pollution.

"One of the major ones is the reduction of greenhouse gas emissions from shipping and some of the pilot projects we are undertaking at MTTC Africa is reducing greenhouse gas emissions from ships when they are in ports," she said.

Internationally, there have been fears that the new rules might result in an increase offreight rates. The world's two biggest container shipping lines — Denmark's Maersk and Swiss headquartered MSC — say they face annual extra costs of over $2 billion each. Twenty-five logistics company executives told Reuters they would pass along any IMO-related costs, such as ship upgrades or more expensive fuel, to customers.