

IMO 2020

Fifteen Days to Get Clean

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Clean and compliant. Make no mistake, these two words are dictating the economic health of the world's shipping industry. This is significant; the sector transports 90% of the world's trade, including energy. So, everyone should be watching the calendar. It is a mere fifteen days – a blink in an economic eye – until the IMO ruling that bunker fuels from January 1, 2020 must be 0.5% sulfur, down from today's 3.5%.

One misstep after the clock ticks past midnight on New Year's Eve can spark costly rumours, dull operational credibility and give business away to competitors overnight. Ports and all other stakeholders – refineries, storage operators, traders, shippers – must ensure clean and compliant fuels flow through their terminals i.e. uncontaminated with other blends and sub-0.5% sulfur. Success means

leveraging a major opportunity to expand global influence, as votes of confidence in global shipping lanes work their way down the maritime grapevine. Make sure you're on the right team; IMO 2020 is a game of confidence.

Everyone must play by the same rules, but there must also be minor wiggle room for first-time mistakes in the early days. The majority of those in the value chain are starting from ground zero with 0.5% fuels (we already supply more than 4mn tons of IMO 2020 and ECA compliant marine fuel oils). Volatility in the first quarter of 2020 is inevitable; it is the biggest shift in the shipping industry in 100 years, after all. Most importantly, don't let rogue waves of disruption derail the positive momentum on the many compliant seas. The fuel markets already contend with enough (volatile geopolitics, fluctuating oil prices, pressure to embrace digitalization, talent shortages, etc). Look at IMO 2020 through a prism of progress, not finger pointing.

DUSTING OFF COBWEBS

In this vein, all stakeholders must up their game amid the more stringent fuel rulebook – never a negative. IMO 2020 is spurring much more extensive collaborations along the value chain, such as smarter tank

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segregation and fuel testing to eliminate contamination. The ambiguity surrounding pricing – a thorn in the energy and shipping industry’s side – has made it more challenging to comply. Some financiers’ forecasts have little choice but to be riddled with guesswork. The ‘chicken and egg’ element – supply-demand dynamics drive the price yet knowing the price influences supply-demand – has caused many headaches this year. But stronger opinions appear to be forming.

It seems likely for now that \$200-\$300 will be the average price spread per metric ton of compliant LSFO over non-compliant HSFO in Q1 of 2020, according to half the respondents to a GIQ Industry Survey of more than 350 energy executives in Fujairah in October. A quarter (26%) said \$100-\$200/mt and another quarter (24%) said \$300-\$400/mt. More transparency may also come with the new bunker adjustment factor (BAF)

indexing mechanism from Drewry and the European Shippers’ Council, which aims to help shippers control bunker charges as shipping lines switch to compliant fuels. Watch this space.

Our meetings worldwide have revealed that many new players seek business locally under IMO 2020 terms – Fujairah’s compliance efforts and UED’s LSFO supply make the decision easy for them. We were also recently added by S&P Global Platts, the world’s biggest energy pricing agency, to their Asia Market On Close (MOC) assessment process for Asian fuel oil. The same applies for Singapore and Fujairah physical bunker fuel, the world’s first and second largest bunkering hubs, respectively. This emphasises our rapidly growing influence and credibility worldwide.

Still, no matter the upside, IMO 2020 is new territory. Amid the noise, keep these two words as top priorities: clean and compliant. They are your allies in a market where you can never have enough. □

