

The 2020 Sulphur Cap – Loss Prevention Perspective June 2021



SPEAKERS

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- Jacob Damgaard, Associate Director, Loss Prevention, Britannia
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The 2020 Sulphur Cap – Loss Prevention Perspective June 2021

Jacob Damgaard



Introduction

- The global fuel sulphur limit of 0.50% (VLSFO) entered into force on 1 January 2020
- Does not apply to ECA areas where Sulphur limit remains at 0.10%
- Carriage ban for HSFO as of 1 March 2020
- Ships equipped with Exhaust Gas Cleaning Systems (scrubbers) are exempted

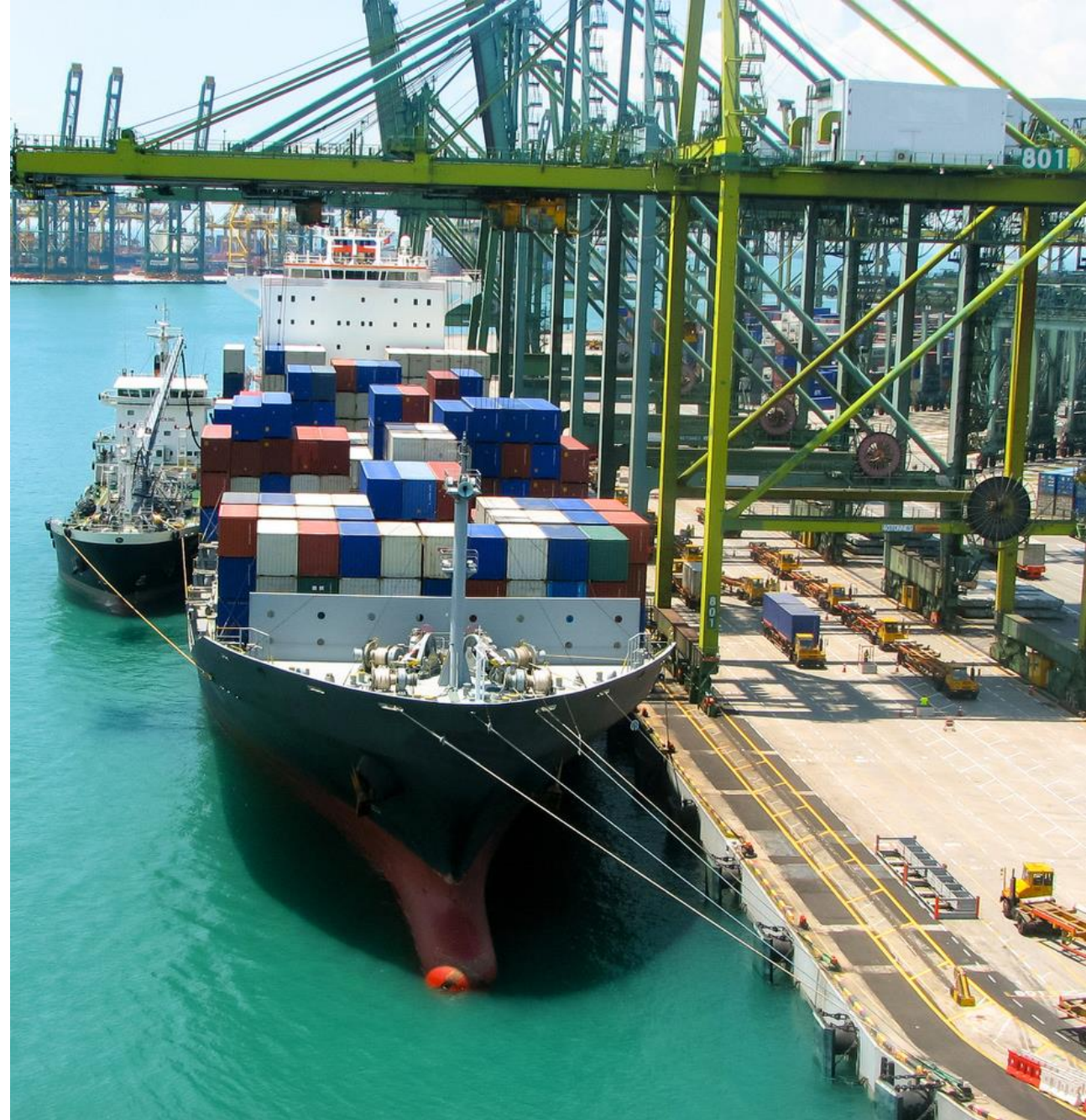


Use of VLSFO – What have we seen?

- Issues relating to high Total Sediment values - stability
- Exceedance of the sulphur content
- Discrepancies between the stated sulphur content on the BDN and Members' own fuel quality analysis
- Reported increase in sludge accumulation and clogged fuel oil filters
- Experience with high amounts of catalytic fines resulting in increased wear of cylinder liners, broken piston rings or other components

Use of VLSFO – Any Conclusions?

- Claims largely involve different circumstances
- Difficult to determine a conclusive trend
- Makes it all more complex for Members
- Requires Members to take appropriate operational steps to mitigate risks

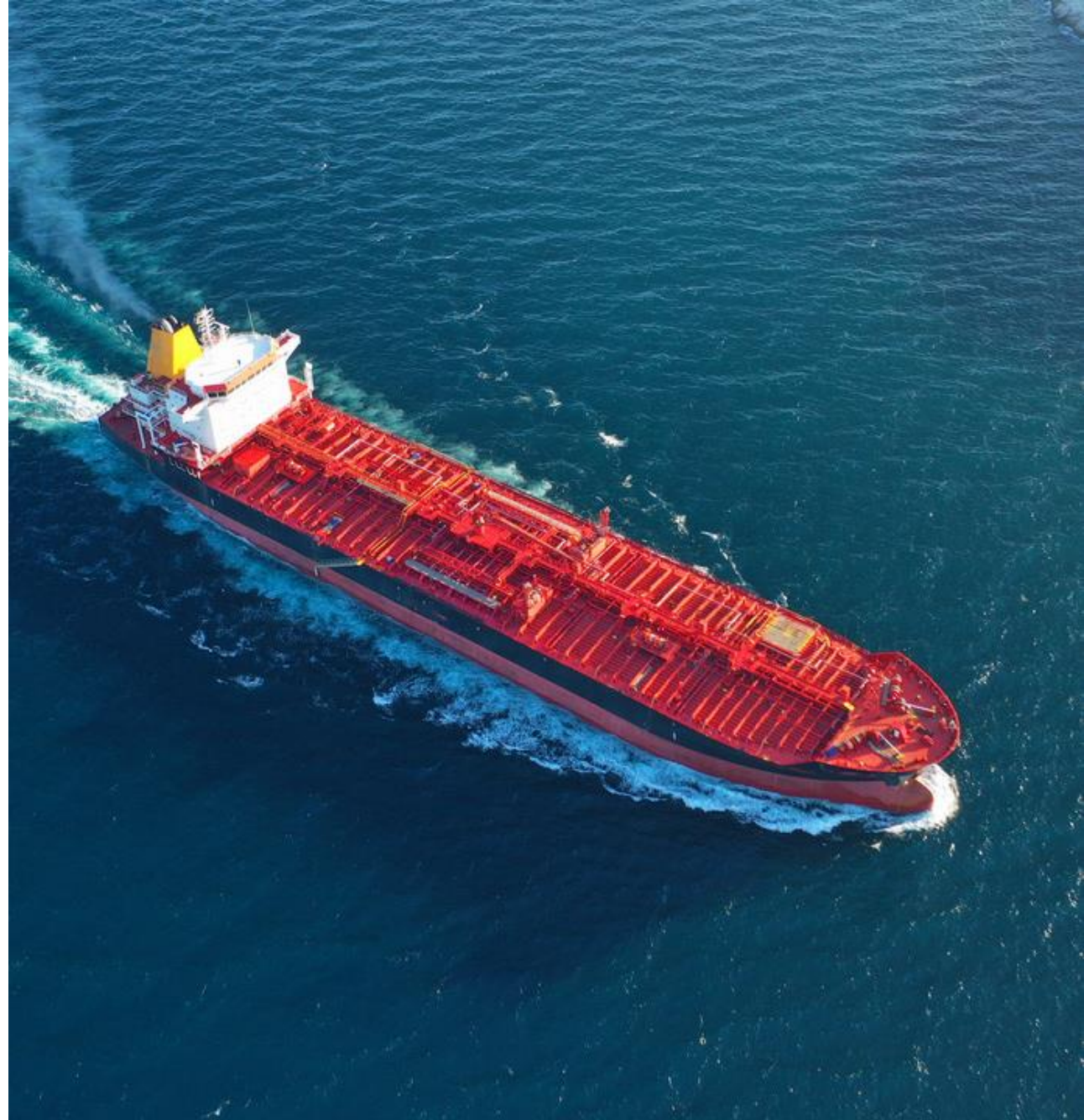


How Can Risks Be Mitigated?

- Perform Due Diligence - When selecting new bunker supplier
- Conduct Fuel quality analysis - ISO8217 and maybe additional GC/MS testing
- Fuel Management - To be robust. Include training for engineers to understand the characteristics and behaviour of VLSFO
- Retain Representative Samples
 - Commercial sample - ISO 1373:2020 requires the representative samples to be taken at the ship's manifold
 - MARPOL Sample - Not to be removed without prior authorisation of a competent authority

If The Fuel is Non-Compliant?

- Report and involve proper authorities
- FONAR – IMO Resolution MEPC.320(74) provides guidance. Not an exemption!!
- Onboard treatment – To be done with extreme care
 - Consult experts, possibly including the engine maker
 - Be aware of MARPOL sample



The background of the slide features a tall, black and white striped lighthouse on the left side. The lighthouse is illuminated from within, and its light is visible at the top. The background is a mix of dark blue and black, with a large, bright blue diagonal shape that overlaps the lighthouse and the text. The overall mood is professional and maritime.

Marine fuel: Impact of IMO2020 and future developments

Christian Bækmark Schiolborg
Manager, Marine Environment

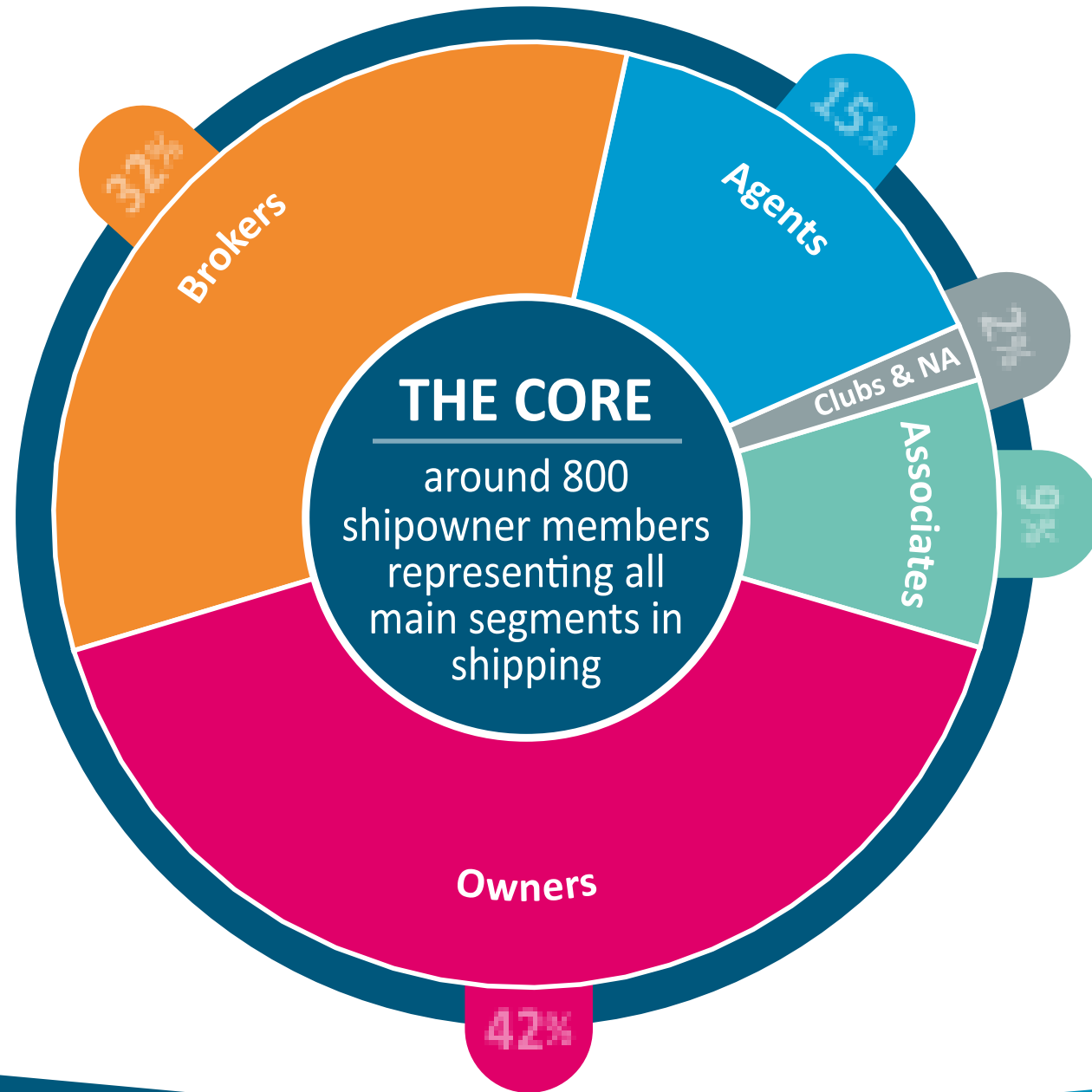
What does BIMCO do?

Secure a level playing field for the global shipping industry and to deliver practical tools, advice and guidance to its members across the main shipping sectors. BIMCO works to promote and secure global standards and regulation for the maritime industry.

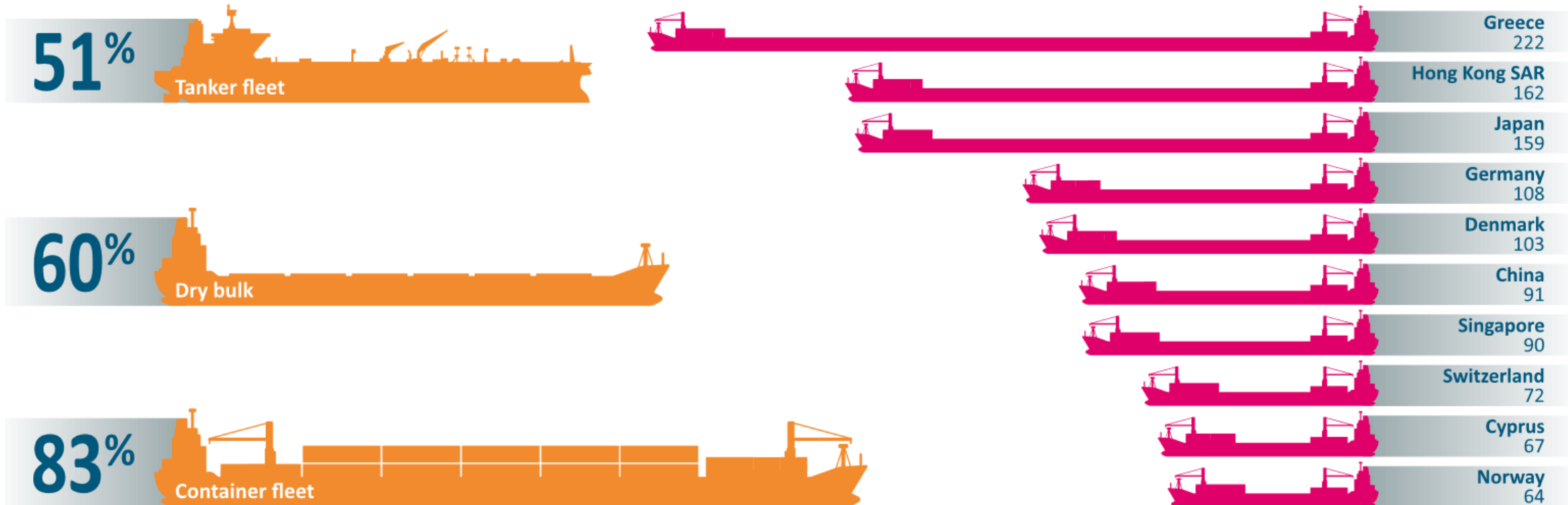
How:

- The world leader in developing standard contracts and clauses in shipping
- Speak up on behalf of members to achieve workable and realistic global regulations
- A range of concrete services directly supporting members business.

The BIMCO membership



BIMCO's share of the world cargo fleet 59%



Share of world cargo fleet (DWT)

Top 10 membership fleet (million DWT)

Marine fuel: Impact of IMO2020 and future developments



Impact of IMO2020 – first 4 months of 2020

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International
Chamber of Shipping
Sharing the Future of Shipping



INTERCARGO
International Association of Dry Cargo Shipowners



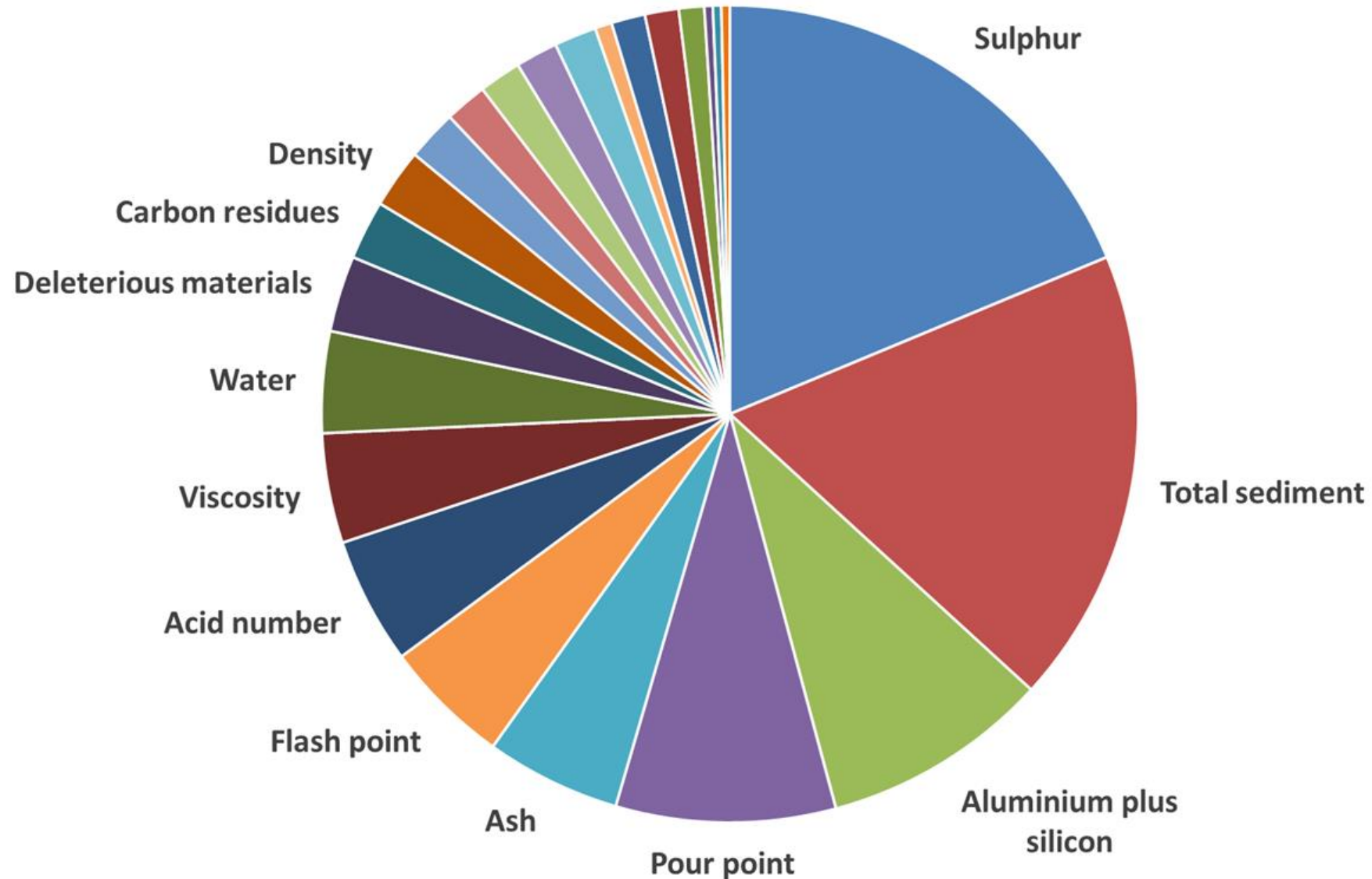
INTERTANKO



**2020 FUEL OIL QUALITY AND
SAFETY SURVEY**

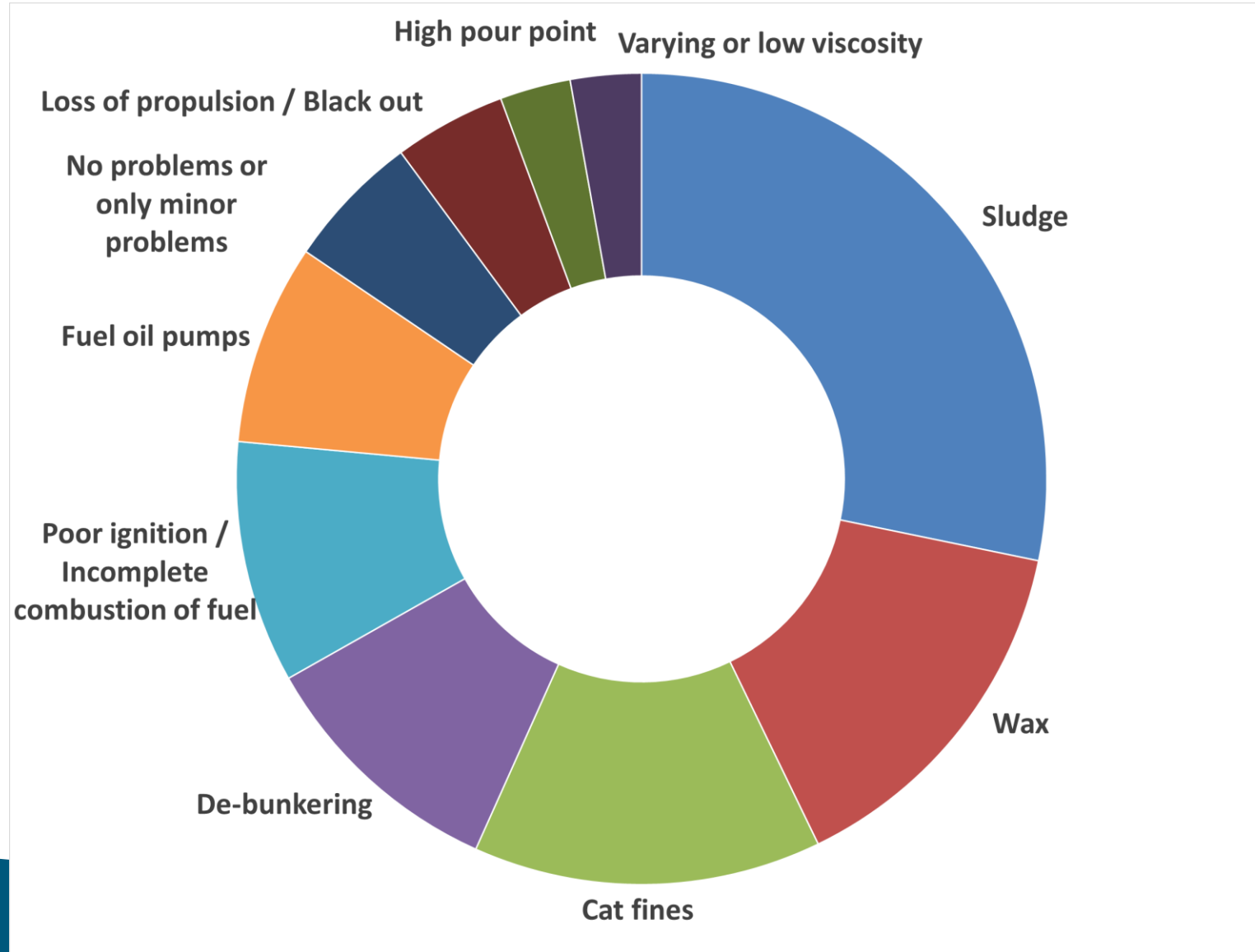
Impact of IMO2020 – first 4 months of 2020

ISO 8217 off-spec – most frequently mentioned



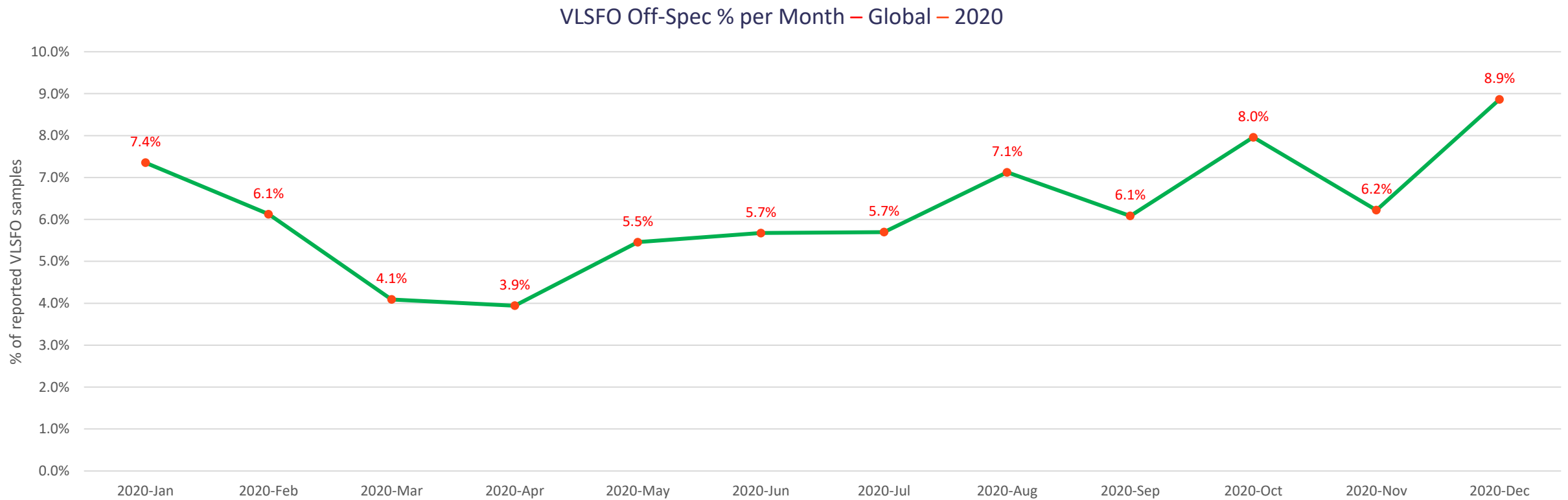
Impact of IMO2020 – first 4 months of 2020

10 most frequently mentioned operational issues



Impact of IMO2020 – entire 2020

Seasonal variations

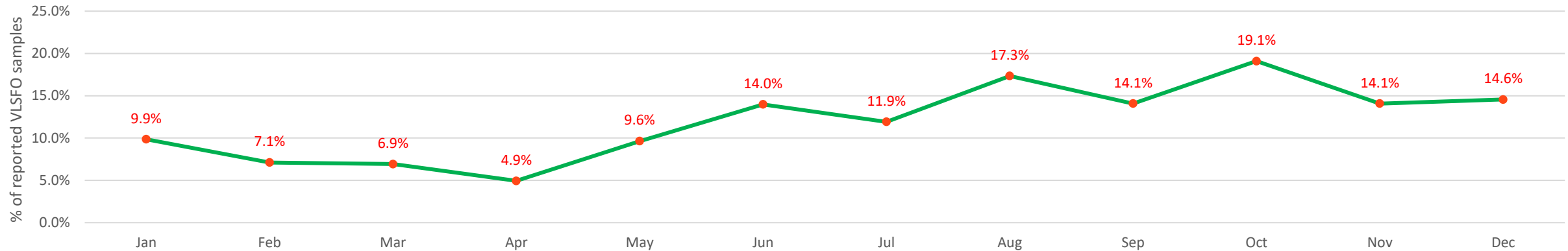


Impact of IMO2020 – entire 2020

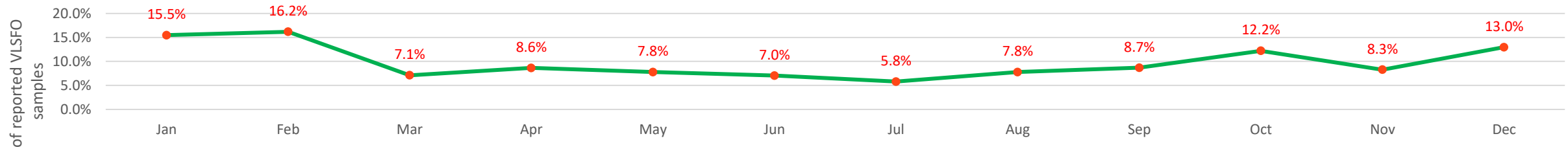


Seasonal and Geographical variations

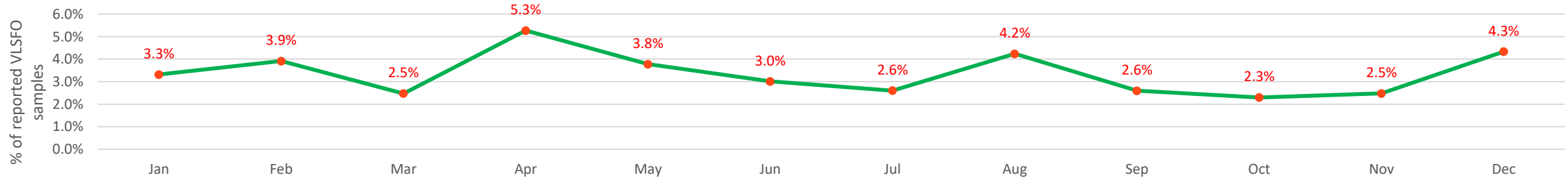
VLSFO Off-Spec % per Month – Europe – 2020



VLSFO Off-Spec % per Month – North America – 2020



VLSFO Off-Spec % per Month – Singapore – 2020



Impact of IMO2020 – entire 2020 for VLSFO

Geographical variations on frequent off-spec parameters

	Global	Europe	Highest share of off-spec samples
Viscosity	10% of all off-spec	14% of all off-spec	18% of all off-spec in China
Water	8% of all off-spec	4% of all off-spec	28% of all off-spec in Middle East
Pour Point	8% of all off-spec	9% of all off-spec	23% of all off-spec in Africa
Sodium	6% of all off-spec	2% of all off-spec	26% of all off-spec in Singapore
Total sediment	6% of all off-spec	4% of all off-spec	24% of all off-spec in Caribbean
Cat fines	6% of all off-spec	3% of all off-spec	10% of all off-spec in China and Singapore

** NOT OFF-SPEC RATES*

Impact of IMO2020 - stability

- Stability seems to be one of the more critical issue now.
- TSP on-spec when testing sample from bunkering
- TSP may become off-spec while fuel is on board
- Short shelf life



What to expect from PSC in the future?

In-use sample means the sample of fuel oil in use on a ship.

- Designated sampling point(s)

On board sample means the sample of fuel oil intended to be used or carried for use on board that ship.

- Direct sampling from a tank through the manhole
- Direct sampling from a tank through the sounding pipe
- Indirect sampling by use of the ships' fuel oil transfer system (circulation through the fuel oil transfer pump)



Future developments

As fuel oil properties are fluctuating, quality and safety problems will continue to be a challenge for the global shipping industry.

Standardisation is crucial to ensure a level playing field.

BIMCO encourage the rest of the bunker ports and authorities around the world to follow the example set by Singapore.



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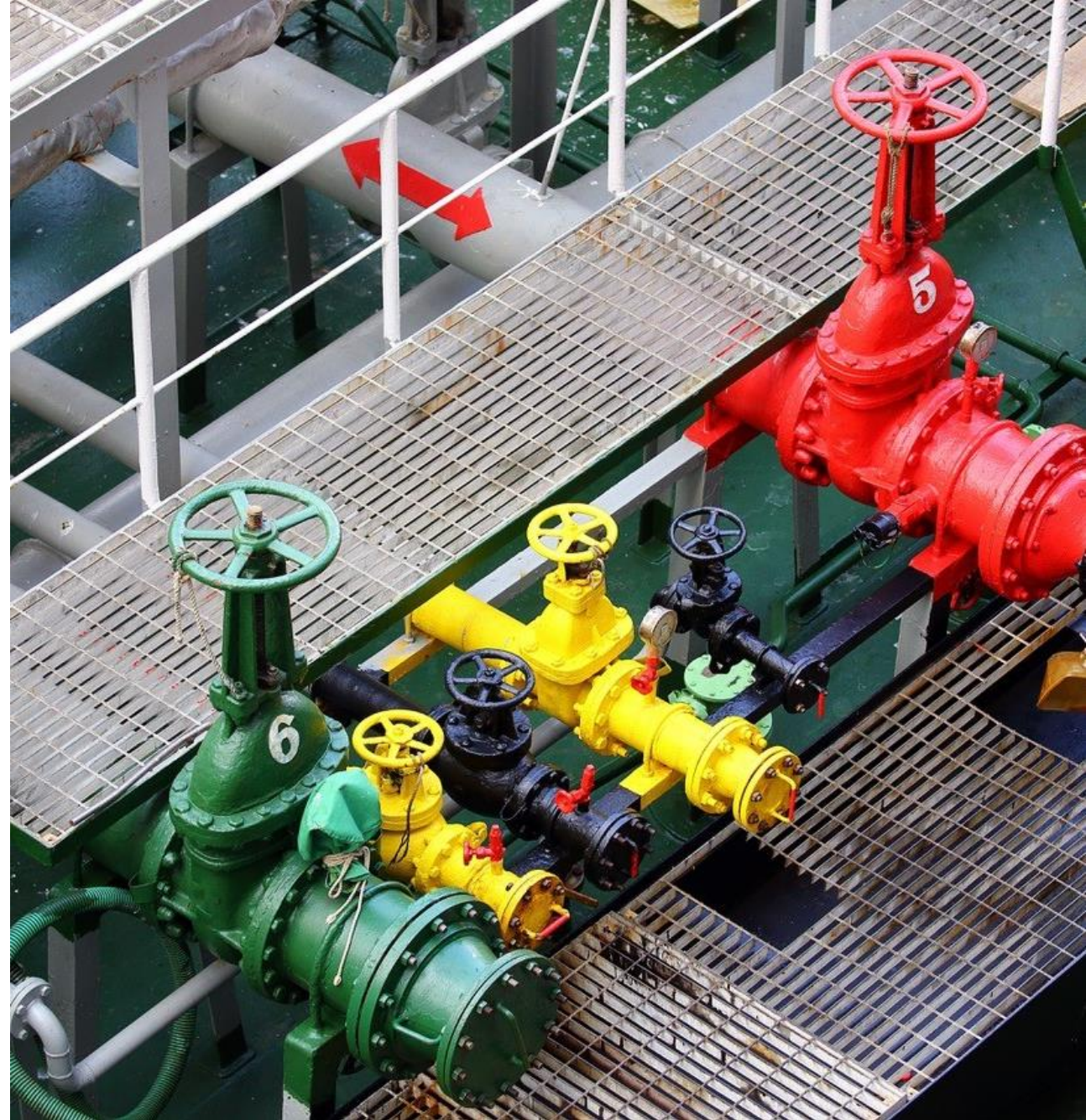
The 2020 Sulphur Cap – Legal Issues June 2021

Wing Wai



Responsibility for Compliance

- Primary responsibility rests with Owners
- Allocation of cost and risk of compliance under contract
 - Charter parties should include terms to reflect the Sulphur Cap regulations
- Position under time charterparties
 - Responsibility for supplying fuel
 - Fuel specification
 - Sampling and testing methods
 - Risk of shortages in low sulphur fuel – delay or deviation
 - Removal of non-compliant fuel – cost, delay or deviation
 - Responsibility for payment of any penalties or fines



BIMCO 2020 Marine Fuel Sulphur Content Clause for Time Charter Parties

(a) For the purpose of this Clause, "Sulphur Content Requirements" means any sulphur content and related requirements as stipulated in MARPOL Annex VI (as amended from time to time) and/or by any other applicable lawful authority.

- Replaces BIMCO Fuel Sulphur Content Clause for Time Charter Parties 2005
- The clause should be used in conjunction with other existing time charter bunker clauses dealing with the specifications, grades and quality of fuel provided by Charterers (e.g. BIMCO Bunker Quality and Liability Clause 2011)
- “Sulphur Content Requirements” cover both actual “sulphur content” limits and “related requirements”

BIMCO 2020 Marine Fuel Sulphur Content Clause for Time Charter Parties

(b) The Charterers shall supply fuels to permit the Vessel, at all times, to comply with any applicable Sulphur Content Requirements. All such fuels shall meet the specifications and grades set out in this Charter Party.

The Charterers also warrant that any bunker suppliers, bunker craft operators and bunker surveyors used by the Charterers shall comply with the Sulphur Content Requirements.

The Charterers shall indemnify, protect, defend and hold harmless the Owners from any and against all losses, damages, liabilities, delays, deviations, claims, fines, costs, expenses, actions, proceedings, suits, demands arising out of the Charterers' failure to comply with this subclause (b), and the Vessel shall remain on hire throughout.

- Charterers' obligations and warranty, indemnity for Owners

BIMCO 2020 Marine Fuel Sulphur Content Clause for Time Charter Parties

(c) The Owners warrant that the Vessel shall comply with the Sulphur Content Requirements.

Subject to the Charterers having supplied the Vessel with fuels in accordance with subclause (b), the Charterers shall not otherwise be liable for any losses, damages, liabilities, delays, deviations, claims, fines, costs, expenses, actions, proceedings, suits, demands arising out of the Owners' failure to comply with this subclause (c).

- Owners' obligations

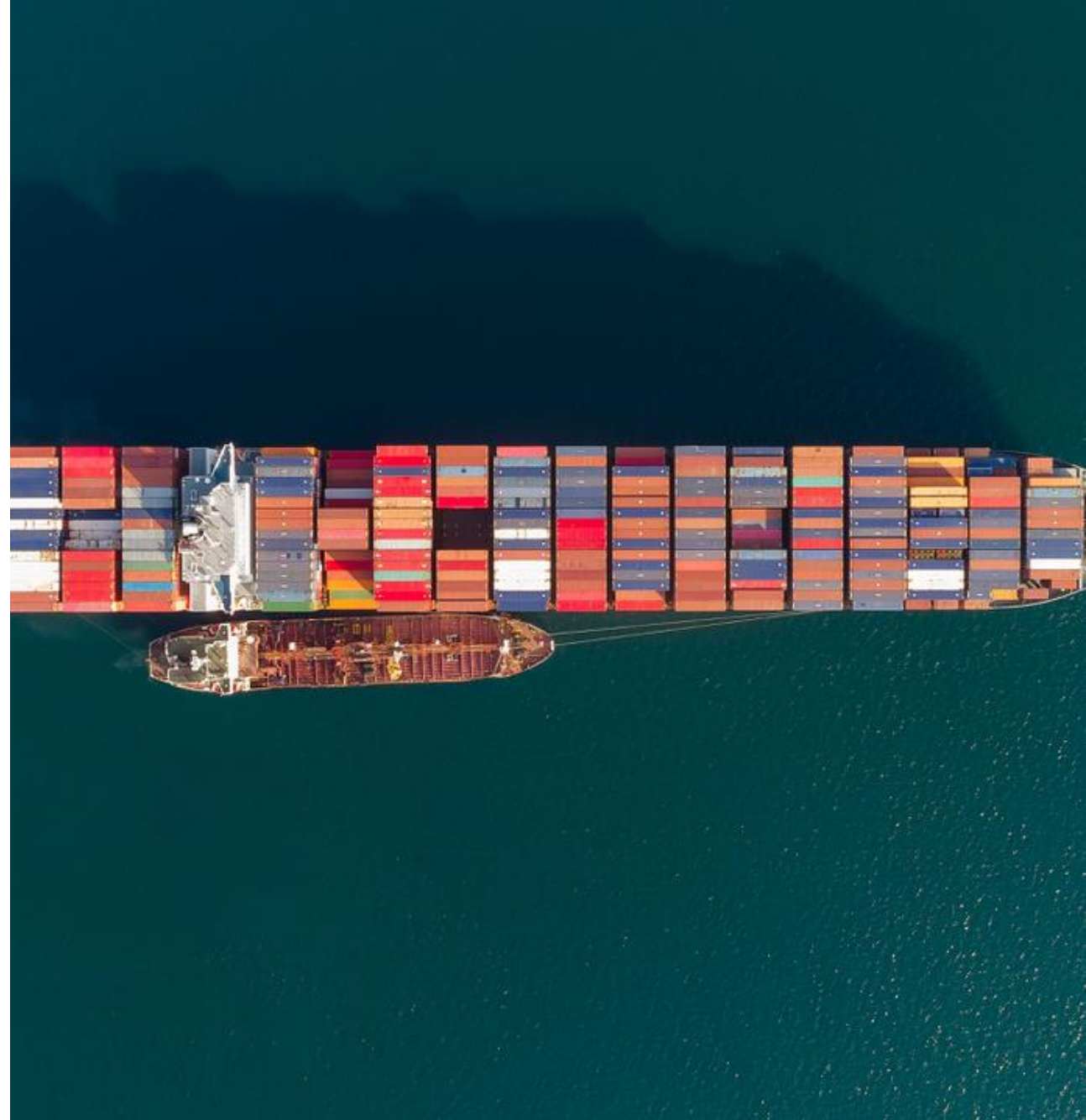
INTERTANKO Bunker Compliance Clause for Time Charter Parties

- The INTERTANKO clause is intended to be a stand-alone clause dealing not only with MARPOL Annex VI and other regulatory requirements but also fuel quality issues and industry practices.



Bunker Disputes

- Is the fuel off-spec?
 - Sampling and testing methods are often contested
 - Burden of proof on party alleging non-compliance
- Appointment of surveyors / experts
- Notifying different parties
- Recourse claims against bunker suppliers
 - Bunker delivery note, terms & conditions
 - Time bar



Bunker Disputes

- Solutions
 - Removal of non-compliant fuel
 - Treatment on board
 - Consumption under monitoring
 - Tank segregation
- Damage to machinery
 - Establishing a causal connection between non-compliant fuel and the damage
 - Common defences



Q&A

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