

Sulphur in Marine Fuels

Policy paper
January 2019

OUR VIEW

An effective enforcement regime underlying the 2020 sulphur cap must be developed by the IMO in due time. Close cooperation between authorities and industry is crucial to succeed.

Penalties for non-compliance must be dissuasive and fully counterbalance any economic incentive to be non-compliant.

Clear IMO guidelines supporting the efforts of authorities, shipowners and fuel suppliers in preparing for 1 January 2020 are essential in order to ensure a smooth and safe transition.

The global sulphur cap enters into force 1 January 2020 limiting emissions from 3.50 pct. to 0.50 pct. Danish shipping fully supports this initiative and calls not only for an effective enforcement regime but also clear guidelines towards compliance.

UN's International Maritime Organisation, IMO, has adopted ambitious global requirements limiting sulphur emissions from ships significantly from 3.50 pct. to 0.50 pct. effective from 1 January 2020.

The estimated difference in price between 3.50 pct. fuel and 0.50 pct. fuel is estimated to be around 200 USD per ton. Therefore non-compliance can involve significant economic gains and distortion of competition within the shipping industry. In addition lack of proper enforcement followed by non-compliance will eliminate the environmental and health related benefits that the regulation is set to provide.

It is a strategic goal for Danish Shipping to ensure effective enforcement of the sulphur cap as to guarantee a level playing

field and the desired environmental and health-related benefits. The global ban on carriage of non-compliant fuel entering into force March 1 2020 will be a key tool to make sure that effective enforcement is in place post January 1, 2020.

Moreover, we encourage any discussions between authorities, e.g. at the IMO that could help create a unified enforcement regime by flag and port states.

For a smooth and safe transition to the use of low sulphur fuels there needs to be certainty and sufficient preparation across all stakeholders.

Danish Shipping finds clear guidelines from the IMO supporting the efforts of authorities, shipowners, and fuel suppliers in preparing for 1 January 2020 essential.

FACTS

- Since the beginning of 2015 there has been a strict limit of 0.1 pct. in place in the Sulphur Emission Control Areas, the SECAs, encompassing a 200 nautical mile zone along the coasts of North America, the entire Baltic Sea, and the North Sea.
- The expected difference in price between 3.5 pct. marine oil and 0.5 low sulphur fuel will be around 200 USD per ton. A container ship (10,000 TEU) can save almost 1,200,000 USD on a return trip from Europe to Japan by illegally operating on non-compliant fuel.
- The global IMO sulphur requirements will reduce sulphur emissions from ships by approximately 85 pct. and roughly half the emission of particulate matter. Air quality measurements show that the sulphur content in the ambient air in Denmark has been reduced by 50-60 pct. since the beginning of 2015, when the Sulphur Emission Control Area (SECA) in the Baltic Sea and the North Sea came into force.
- As of January 2019, the Danish Environmental Protection Agency has reported 31 cases of violation of the sulphur regulations in Danish waters to the police. The reports have provisionally resulted in approx. ten fines, all of which amounted to 4.800 USD each except a single fine amounting to 60.000 USD. Recently, French authorities issued a fine totaling 114.000 USD.
- IMO is the international body regulating shipping and MARPOL is the environmental cornerstone of IMO legislation. Sanctions are issued by the individual parties to MARPOL, primarily flag and port States. IMO does not set fines or sanctions - this is up to the individual state party.