

Fuel caught in double hull trap

In recent months the bunker industry has come under unprecedented scrutiny from global regulatory bodies. Although the bunker industry has sometimes been slow to change, players are beginning to rethink the way the industry operates.

The sinking of the Prestige and the political fallout that followed succeeded in touching every section of the maritime industry, with the bunker industry no exception.

The spilling of several thousand tonnes of the 77,000 tonnes of heavy fuel oil (originally headed for Singapore's cargo and bunker markets) on board the Prestige was - as far as regulators in the European Commission (EC) were concerned - inextricably linked to the sinking of the tanker Erika off the Brittany coast in 1999. Both vessels were single hulled tankers carrying, not crude oil, but heavy fuel oil. Experts say that this high viscosity product can react in various unpredictable ways upon entering sea water depending on a multitude of factors, including its density, its viscosity and its water content, often to devastating effect.

In response to the sinking of the Erika, EC regulators decided to phase-out single hull oil tankers, a decision which was viewed by both the shipping industry and regulators as a suitable compromise when it was adopted in February 2002.

However, on 20 December 2002, with clean-up work still hurriedly taking place on the Galicia coast in Spain following the Prestige disaster, new much more drastic proposals were being unveiled by EC regulators in the corridors of power in Brussels. They would have a radical impact on the European bunker industry.

Among the amendments made to the EC-proposed regulation 417/2002, hidden away from a mere cursory glance, was a stipulation calling for 'the scope of the amendment to cover oil tankers from 600 deadweight tonnes (dwt) and above, in order that the ban on carriage of heavy grades of fuel oil in single hull tankers shall equally apply to small tankers.'

This was uncharted territory. Previous regulations and proposals aimed at phasing-out single hulled tankers had been aimed at larger sea-going tankers over 5,000 dwt. According to the London-based think tank Oil Companies International Forum (OCIMF), of 4,300 tankers under 5,000 tonnes worldwide, only 181 were double hulled. In Europe, OCIMF said, the percentage figure was even lower.

It took another month before one scrupulous bunker supplier discovered the amendment, which in essence called for the banning of all but of a handful of bunker barges and tankers operating in European ports in coastal waters by as early as June 2003.

As one EC source, who preferred not to be named, told Tanker Operator: 'The decision was made without thought for the transportation of fuel oil in port.'

The outgoing chairman for the International Bunker Industry Association (IBIA), speaking at the association's annual dinner in February was more direct. 'It is probably all a mistake and the commission has simply not understood the consequences of its actions,' he told 700 marine fuel industry representatives.

By February, efforts by members of the marine fuels supply industry to lobby the European Parliament and the European Council were beginning to gather pace and sentiment among European decision makers began to alter.

Despite industry protests, it wasn't until late March that the European Council decided to make some small alterations to regulations hurriedly being prepared by the European Commission to go before the European Parliament. Among the changes was the inclusion of a phase-out period, exempting tankers under 600 dwt from having to meet new EU standards until 2008.

But while members of the marine fuels industry breathed a sigh of relief, new questions were already being asked within the bunker industry. With OCIMF estimates suggesting that 95% of European vessels would still be unable to meet 2008 standards, the huge building programme already underway, has to be accelerated and funded

The scale of time and investment required to meet the 2008 deadline could mean that European bunker players are likely to face the conundrum of having to balance their books while taking on huge investment projects. With new double-hulled tanker barges costing as much as \$10 million, the future of bunker barging in Europe will be one based predominantly upon economies of scale.

While larger independent suppliers and the majors have already begun to flex their financial muscles in the shape newly launched state-of-the-art new 'super tanker barges', five years may not allow enough time for smaller supply firms to meet EU demands.

New tanker barges currently being built for the European bunker market do not only display the safety benefits of double or triple hulls, but are increasingly able to boast reverse and side thrusters, sea-going capability, and interchangeable tanks - all of which provides the larger companies behind these new projects with a clear advantage over smaller rivals.

Netherlands-based Unilloyd Bunkering (Verenigde Tankrederij) and Chemoil/All Round Fuel Trading are two such examples who are both expected to soon unveil new vessels technologically advanced and specifically designed for the bunker market.

It is part of a trend, discernable even before the latest EU moves, towards bigger bunkering vessels.

The reasons are not hard to find. Taking Rotterdam as an example, vessels coming into the port have been ordering larger stems of bunker fuel to match their growing size since the mid-1990's.

A spokesperson for Unilloyd Bunkering said that its new 10,000 tonne capacity tanker barge, the Vlissingen, believed to be the largest inland bunker barge in the world, the remit is one of economies of scale. He said: 'The tanker was built primarily to meet an increasing demand in Rotterdam for 'one stop' stems of up to 10,000 tonnes.

'Although it has been built for that purpose, we would not rule out 'milk rounds' either', the spokesperson continued.

Bunker suppliers seeking to utilise economies of scale will increasingly show an interest in deploying bigger bunker barges with more manoeuvrability, faster pumping rates, and, ultimately, a lower cost per tonne delivered ratio, the spokesperson added.

Indeed, such is the growing flexibility of major bunker suppliers to meet the demands of fuel procurement clients that Belgian-based Wiljo Bunkering is expanding a fleet of sea-going tanker barges capable of supplying stems to regions as diverse as the United Kingdom, France and Germany.

For those that can meet the demands of an increasingly regulated industry, the sky is the limit.