

## **EC models sulphur cap, Sox**

### **Bunker suppliers square up to changes from European Commission, while in Singapore standards are improving**

The European Commission's (EC) drive to reduce sulphur oxide (SOx) levels in bunker fuel in order to reduce European Union (EU) air pollution has become a contentious issue among many European bunker players.

Under EC plans to amend the IMO's MARPOL Annex VI, heavy fuel oil (hfo) used as marine fuel in areas known as Sulphur Emissions Control Areas (SECAS) would have to contain no more than 1.5% of sulphur by 2004 or 2005 (See SECA 1 fig).

This 'sulphur cap', as it has become known, compares to an average content of around 3.7% sulphur in hfo currently running in vessels' engines bunkered in European waters.

Therein lies the dilemma for many bunker players. A number of key issues, they argue, have been ignored because the EC fails to recognise any alternative to a straight 'bunker cap', while unilateral European action (scheduled for least five years prior to the IMO's timetable) could have grave effects on the region's socio-economic make-up.

In response, the bunker industry under the auspices of a few key players: namely BP Marine, Shell Marine Products, the IBIA, and members of SEAA<sub>T</sub> (Shipping Emissions Abatement and Trading), established to promote alternative means to capping, began to lobby the EC.

BP Marine's Project Manager for the Environment and Clean Fuels, Donald Gregory, has been at the forefront of raising awareness among politicians of the viable alternatives to a straight 'bunker cap'.

Gregory, newly appointed Vice Chairman of the International Bunker Industry Association (IBIA), was instrumental in the formation of SEAA<sub>T</sub>, using the backing he has received from BP Marine to lobby EC representatives on the merits of emissions trading.

Gregory promotes a system whereby, in essence, 'emissions credits' are awarded to vessel owners who are able to keep well within SECA emissions levels. Those credits are then effectively exchangeable with vessel owners unable to meet prerequisites. The overall effect, Gregory argues, is the same as invoking an all-encompassing cap, without the economic restrictions.

A straight cap, promoters say, would lead to European bunker players losing a projected 10% in global market share. The theory being that the additional costs required to meet lower sulphur levels - re blending, additional blending, sourcing sweeter crude oil slate, and refinery residual de-sulphurisation - will prompt buyers to source bunker fuel in cheaper regions.

With demand for low sulphur bunkers set to rise in line with World Bank and IMF forecasts for growth in global trade, SEAA<sub>T</sub> promoters point out that demand growth in SECA's will far outstrip other regions, straining supplies. (See SECA 2 fig. 2).

A further proposal, this time championed by Shell Marine Products, is for the use of seawater exhaust scrubbers to be added to the EC-proposed Regulation 1999/32.

Scrubbing, which is included in Annex VI, has proven to reduce emissions of SOx by as much as 95% and limit costs dramatically, its protagonists argue.

Other regions have kept one eye on events in Europe. The United States Environment Protection Agency (EPA), for example, has expressed a desire to bring forward its timescale for SOx and nitrogen oxide (NOx) reductions from the IMO's present timetable. With the spectre of Kyoto hanging over legislators, it remains to be seen how they will finally choose to achieve their goals.