



THE INTERNATIONAL BUNKER INDUSTRY ASSOCIATION

# **Ethics and Bunkers What can IBIA do?**

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**TANKEROperator Conference  
London February 2004**

3<sup>rd</sup> Feb 2004



## David and Goliath(s)

- Shipping is a major element in the world economy >\$200bn
- Oil is a major element in the world economy >\$1000bn
- Bunkers is the meeting point between all ships and the Oil industry but worth only about \$2.5bn



## How to play fair?

- The shipping industry regards bunkers as a distress purchase over which they have little control
- The oil industry regards bunkers as a disposal route for residue, sulphur and a source of aggravation
- For many players the bunker industry is seen as the refuge of scoundrels who cheat the ship owner, adulterate good products and probably launder money
- But it's **NOT TRUE**

## Instruments of extortion over the centuries?





## What is the truth

- The bunker industry performs a vital function in providing ships fuel where it is needed in the quantities required and at competitive prices
- It provides a source of credit for owners who need fuel to perform voyages for which there is no financial reward until completion
- The physical deliveries are performed remote from buyer and often remote from seller.
- 98% of transactions are free from any dispute



## **Need for trust**

- **International nature of the business**
- **Unsecured credit of buyers**
- **Logistical and operational pressures**
- **Ability to resolve disputes**



## Implications for shipowners ?

- **Most disputes are Quantity related**
- **Some are Quality related**
- **Some relate to delay / demurrage**
- **Very few are not covered by sales terms**
- **Most can be resolved by communication, determination of facts and application of the contract.**



## IBIA

- **The International Bunker Industry Association provides**
  - Education
  - Liaison with NGO's
  - Liaison with National Governments
- **Has >450 members (buyers, sellers, intermediaries, barge operators etc.)**
- **Involved with Standards & Codes of Practice**
- **Produces reports and runs Seminars**



## Communication

The order was for 590 mt

I've only got 595 cu metres

No you have 3770 barrels



Get everyone to talk the “same language”



## How can IBIA build trust and fairly represent bunkering ?

- Ethics
- Communication
- Dispute resolution
- Education
- Industry links  
INTERTANKO/BIMCO/INTERCARGO/IMO/EU
- Seeking international, not regional solutions



## How can IBIA help

- **IBIA does not police the industry, it is “open access” and provides guidance on best practice**
  - **IBIA Guide to good commercial practice**
  - **IBIA Guide to arbitration**
  - **IBIA Guide to evaluating bunker claims**
- **IBIA will address any issues, existing or anticipated**
  - **Sulphur, safe access, documentation, quality testing**



## What puzzles the Ship owner

- Why can't the supplier be there, waiting when the ship arrives
- Why can't the supplier provide the grades / specifications that I want
- Why do I have to pay cancellation charges
- Why can't I get an analysis of the product 1 week before delivery



## What puzzles the suppliers?

- Why don't ships have enough crew to do with bunkers what they do with oil cargoes
- Why do ships change their requirements last minute.
- Why do ships sign documents and then complain afterwards
- Why don't ships have standard connections
- Why wont ships owners accept barge quantity figures / samples



## What should the ship owner do ?

- Be informed
- Understand the issues
- Deal with counterparties you trust / take advice if you don't know them
- Ensure that ships crew have procedures that are practical and understood on board
- When in dispute be methodical, fair and look for practical solutions
- **Join IBIA – it will help with the above**



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## Remember E.T.?



3<sup>rd</sup> Feb 2004



# E.T. Phone home

- **E**thical behaviour engenders trust
- **T**rust permits the rational solution of problems
- **C**ommunication is the key to successful bunkering
- **IBIA** is here to promote all three