MARITIME & LOGISTICS BULLETIN (brief)

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THREE MONTHS FROM THE IMPLEMENTATION OF THE IMO 2020 REGULATION[1]

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As of 1 January 2020, new environmental regulations will come into force in the maritime sector. This regulatory change will be present in the day-to-day life of the maritime sector over the next 30 years; due to the scale of the change, this brings many expectations and uncertainties. On the side of expectations, the regulations propose a major step towards transparency of emissions in the sector and are expected to contribute to the immediate reduction of emissions of various pollutants, including greenhouse gases (GHG) by half by 2050, reaching approximately 1.4% of the current global total[2]. On the other hand, the costs of adaptation and necessary reforms, increase in the price of the fuel, its availability, the impact on

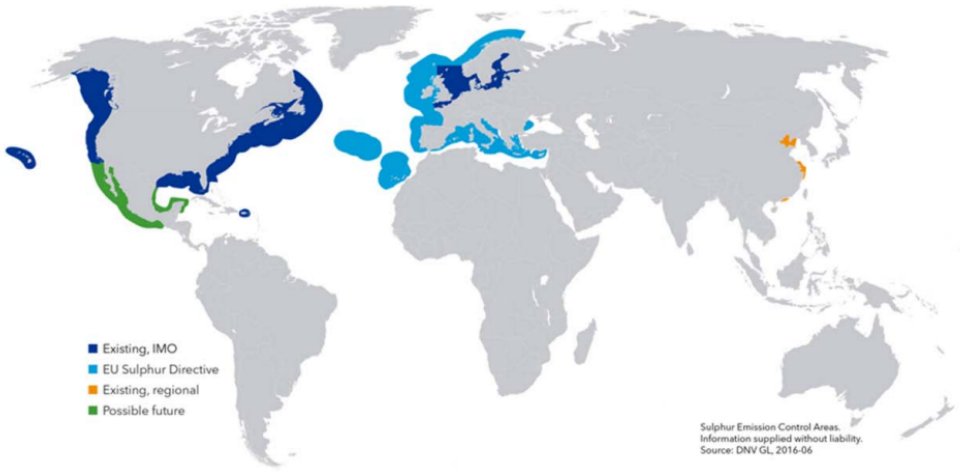
[1] This is a brief version of the original document published in Spanish. For more information, please contact the authors.

[2] According to the last IMO estimate, the average of CO2e emissions (equivalent) of ships, between the years 2007-2012 (values in millions of tons of CO2), represented 2.8% of the global CO2e.

trade, the risks of concentration of the maritime industry and the place where the combustion waste will be discharged, are part of the coming uncertainties.

According to the changes contained in Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL), also known as IMO 2020, the sulphur content of high sulphur fuel oil (HSFO) used on board of merchant ships operating outside the Emission Control Areas (ECA) should not exceed 0.50% mass/mass (m/m), while for ships operating inside the ECA zone (map 1), the maximum sulphur content should not exceed 0.10% m/m. The sulphur limit of 0.50% m/m is a significant reduction from the current overall limit of 3.50% m/m, which has been maintained to date. In addition, Annex VI also foresees the progressive reduction of emissions of sulphur oxide (SOx), nitrogen oxide (NOx) and particulate matter (PM) at global level and the establishment of ECA in order to further reduce emissions of air pollutants in designated sea areas.

Map 1. Emission Control Areas (ECA)



Source: European Union, based on DNV.GL.

The date of implementation of IMO 2020 is approaching and during the next few months shipowners will begin to clean their tanks, one at a time. Large commercial vessels have segregated tanks that allow them to avoid mixing bunkers from different suppliers. This phased cleaning and provisioning process is a delicate balance. If they wait too long and have not burned the entire HSFO on board by the end of the year, they may run the risk of having to dismantle the tank, which would be a financial and logistical problem. The duration of the pressure will be reduced to the risk appetite of each individual shipowner. Refiners will do what they can to reduce HSFO production, but in many cases, this is simply not possible. Therefore, as shipowners stop using HSFO and supply begins to outstrip demand, there will be a reaction of decrease in prices.

In order to analyse the opinion of the actors in the sector, **a brief survey on the IMO 2020** is attached. We kindly invite you to answer the questions, in which the goal is to analyse the situation of the Latin American and Caribbean region in face of this regulatory change.

SURVEY IMO 2020

Please respond briefly to questions by October 14th, 2019.

https://docs.google.com/forms/d/e/1FAIpQLSdN6VaHwAnrfTrxvj2RRc30RKQ8TjXHH_n1tF4_xH8LqQk3RA/viewform