

# Existing ships may turn to marine gasoil to meet lower sulphur cap

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by Hadhi Abdul

Global gasoil supplies remain plentiful due to refining capacity additions in the Middle East

SHIPOWNERS and operators are likely to turn to using marine gasoil to meet the lower global sulphur cap due to come into effect in 2020, speakers at the Asian Logistics and Maritime Conference in Hong Kong said.

“Existing ships will use distillates,” said Henrik Hartzell, managing director of Far East at Heidmar. He added that ships would switch fuels rather than install scrubbers — another method to meet the lower sulphur cap.

Ardmore Shipping Corporation chief executive Anthony Gurnee agreed, saying that it was unlikely that a lot of shipowners would invest in scrubbers.

According to data from Thomson Reuters Oil Research and Forecast, there is an abundance of gasoil supply in the world because of significant additions to refining capacity over the past two years, mostly in the Middle East.

Saudi Arabia added 800,000 barrels per day of capacity with two new refineries, while ADNOC doubled the capacity of its Ruwais plant to 840,000 bpd. This has led to the Middle East doubling export volumes to between 2.2m tonnes and 2.3m tonnes per month of mostly ultra-low-sulphur diesel.

Meanwhile, the cost of installing scrubbers is not cheap.

Retrofitting an existing ship with scrubbers costs between \$2m and \$5m, down from 2013, when Danish shipping line DFDS paid \$9m for the 70-tonne systems. Studies also show that scrubbers need at least two to three years of utilisation to break even, according to Lloyd’s List Intelligence.

Panelists at the Lloyd’s List Hong Kong business briefing had also been sceptical about installing scrubbers.

“It is better to produce cleaner fuel rather than clean up the fuel in ships,” Matts Berglund, chief executive of dry bulk shipowner Pacific Basin Shipping, said.

Liquefied natural gas is not seen as the immediate solution, however.

LNG as a fuel is the hardest to implement currently, both in terms of technology as well as infrastructure. Current LNG retrofitting for vessels necessitates taking away up to 30% of cargo space, which is not commercially viable. Additionally, there are fewer LNG refuelling ports compared with low-sulphur fuel oil bunkering ports at present.

The International Maritime Organization will implement a global sulphur cap of 0.5% in 2020, down from the current use of bunkers with sulphur content of 3.5%.

A limit of 0.1% is already in place in emission control areas, around northern Europe, North America and part of the Caribbean. Hong Kong, Shanghai and Shenzhen have restricted sulphur emissions to 0.5% for vessels at berth.