

MARINE ENVIRONMENT PROTECTION  
COMMITTEE  
66th session  
Agenda item 4

MEPC 66/4/24  
6 February 2014  
Original: ENGLISH

## AIR POLLUTION AND ENERGY EFFICIENCY

### Comments on the International Maritime Organization's review on the availability of 0.50% sulphur fuel as at 2020

Submitted by the United States, BIMCO, the International Association of Independent Tanker Owners (INTERTANKO) and the Cruise Lines International Association (CLIA)

#### SUMMARY

*Executive summary:* This document provides comments with respect to the Organization's review by 2018 of the availability of 0.50% sulphur fuel in 2020 as required by regulations 14.8 to 14.10 of MARPOL Annex VI and suggests a way forward for that review

*Strategic direction:* 7.3

*High-level action:* 7.3.1

*Planned output:* 7.3.1.1

*Action to be taken:* Paragraph 11

*Related documents:* MEPC 66/4/8, MEPC 66/4/18; MEPC 64/4/17, MEPC 64/4/41; MEPC 62/4/5, MEPC 62/4/21, MEPC 62/INF.9, MEPC 62/24; MEPC 61/24 and MEPC 57/4

1 This document is submitted in accordance with the provisions of paragraph 6.12.5 of the *Guidelines on the organization and method of work of the Maritime Safety Committee and the Marine Environment Protection Committee and their subsidiary bodies* (MSC-MEPC.1/Circ.4/Rev.2) and provides comments on documents MEPC 66/4/8 (ICS) and MEPC 66/4/18 (Netherlands and United Kingdom).

#### Background

2 The Committee, at its sixty-first session, established a correspondence group to begin preparations for the required review identified in regulation 14.8 of MARPOL Annex VI. This review, which is required to be completed by 2018, is to determine the availability of fuel oil to comply with the global 0.50% sulphur limit specified in paragraph 1.3 of regulation 14 of MARPOL Annex VI. The correspondence group, chaired by the United States, had a detailed discussion of the elements of a framework for a fuel availability analysis and on the basis of that discussion, the coordinator of the correspondence group developed a draft methodology framework that reflected areas of commonality among the participants. That draft

methodology framework, included in the annex to the correspondence group report (MEPC 62/4/5), was intended to serve as a basis for additional discussion on the specification and development of review provision under regulation 14.8 of MARPOL Annex VI. It was expected that this draft methodology framework would be revised and expanded as key elements of the methodology continue to be debated.

3 In response to the correspondence group report, the International Chamber of Shipping (ICS) recommended that the correspondence group be instructed to perform a preliminary study, to be carried out in 2012 to 2013, that would cover the introduction of the long term ECA 0.10% fuel sulphur limit (MEPC 62/4/21). As noted in the report of the correspondence group, the group was divided when this issue was considered (see MEPC 62/4/5, paragraph 19) and the Committee agreed to defer the consideration of this matter and invited further submissions on this matter.

4 This issue was subsequently considered at the sixty-fourth session of the Committee. In document MEPC 64/4/17, ICS expanded on its early recommendations. In document MEPC 64/4/41, the United States explained that a preliminary analysis for fuel subject to a different fuel sulphur limit (e.g. long-term ECA fuel) would not be an indicator of the reliability of the 2020 fuel sulphur limit assessment due to differences in the underlying markets.

5 The United States further recommended that the analysis required by the review provision in regulation 14.8 of MARPOL Annex VI be performed in the 2016 to 2017 timeframe. The correspondence group had previously estimated the study to take roughly one year (with a range of estimated time from six months to two years, once access to modelling tools is in place).

6 In document MEPC 66/4/18, the Netherlands and the United Kingdom provide information about new developments within the European Union to implement their regional fuel sulphur limit and advocate beginning the fuel availability review. They also state that while early signs suggest there will not be an availability problem, an early review would remove legal uncertainty about the implementation of the global cap and thus could increase refinery efforts to take the steps necessary to provide compliant fuel. The Netherlands and the United Kingdom suggest the Committee continue its discussions of the pros and cons of conducting an early review and begin discussing the scope and potential timetable of such a review. In document MEPC 66/4/8, ICS also recommends an early review, to give refiners adequate time to invest and react.

### **Proposed way forward**

7 While the co-sponsors continue to be concerned about a too early completion of the refinery modelling, we can see the benefits of continuing the development of the analysis methodology and determining how the study will be carried out.

8 One way to move this issue forward would be to reinstate the correspondence group to review, update and complete the draft methodology contained in the annex to document MEPC 62/4/5 and to develop a recommendation for the process and resources needed to carry out the study. It will also be necessary to determine how to access the refinery models that are necessary for this study and how the modelling efforts should be overseen by the Committee via the group of experts required to be established by regulation 14.9 of MARPOL Annex VI. The co-sponsors recommend that the correspondence group be re-established at this session. The correspondence group should be instructed to report to the sixty-seventh session on their progress, with a view to the Committee adopting the terms of reference for the expert group that shall conduct the regulation 14.8 of MARPOL Annex VI

fuel availability study at the sixty-seventh or sixty-eighth session, depending on the progress of the correspondence group, so that the necessary analysis can be tendered and work can begin soonest thereafter.

9 As part of the methodology review, the Committee may wish to consider whether the analysis described in paragraphs 5.2 and 5.3 of the draft methodology framework (annex to document MEPC 62/4/5), concerning refinery supply capabilities, should be commenced now. It may be helpful to perform an initial review of public documents and/or preliminary surveys of major refinery companies to obtain information about their plans to provide compliant fuel and their views on the challenges they think the refining industry is facing in this regard. This survey would yield information that could be used to calibrate the refinery supply model that will be used in the study and would also convey to the refining industry the importance of the regulation 14 of MARPOL Annex VI programme and its reliance on their making compliant fuel available.

10 The correspondence group should be tasked with developing terms of reference for the group of experts that shall carry out the regulation 14.8 of MARPOL Annex VI fuel availability analysis, identifying the resources necessary, including contracting with the owners of proprietary supply and demand models, and clarify how the experts group would guide those parts of the study that need to be outsourced for confidentiality reasons resulting from competition law requirements. Draft terms of reference for a correspondence group are set out in annex to this document.

#### **Action requested of the Committee**

11 The Committee is invited to consider the above information and take action as appropriate.

\*\*\*



## ANNEX

### DRAFT TERMS OF REFERENCE FOR FUEL AVAILABILITY ANALYSIS CORRESPONDENCE GROUP

- 1 The Correspondence Group is instructed to:
  - .1 develop the methodology to determine the availability of fuel oil to comply with the fuel oil standard set out in paragraph 1.3 of regulation 14 of MARPOL Annex VI, using the annex to document MEPC 62/4/5 as a basis. The following points should be addressed:
    - .1 consideration of how to use the supply/demand models identified through previous discussions of the draft methodology, giving consideration to the latest amendments to MARPOL Annex VI, and any new ECAs that may be proposed or adopted;
    - .2 consideration of how to track changes in fuel demand and supply and what facilities or resources may require to be engaged; means to improve the accuracy of longer term forecasts should also be considered;
    - .3 consideration of how to forecast changes to marine fuel oil availability specified in paragraph 1.3 of regulation 14 of MARPOL Annex VI, on both a global level and for the regions defined in the refinery modelling tool, taking into account:
      - .1 the addition of new ECAs;
      - .2 changes in global bunker supply and demand as a result of projected economic activity or other influences;
      - .3 the impact of the use of alternative fuels such as LNG and biofuels; and
      - .4 the impact of the use of alternative compliance methods (abatement technology);
  - .4 consideration of an early review of refinery supply capabilities, to provide data for the refinery supply modelling;
  - .5 consideration of an appropriate terms of reference, including timeline for the review required under regulation 14 of MARPOL Annex VI;
  - .6 consideration of the resources needed to carry out the analysis;
  - .7 consideration of the implication of competition regulations in place globally related to the exchange of business information and how it can be ensured such regulations are complied with throughout; and
- 2 The Correspondence Group should provide a progress report to the Committee at its sixty-seventh session, with a view to the Committee adopting the terms of reference of the study at the sixty-eighth session in 2015.