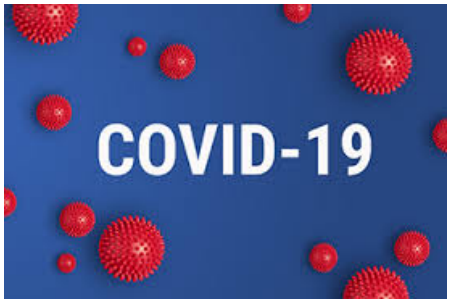
IPTA Newsletter

Spring 2020



Inside this edition:-

The global Covid-19 pandemic has meant that over a matter of weeks our lives have changed to an extent that would have been unimaginable at the beginning of the year. At the time of writing most of us are in lockdown, working from home and with face to face meetings cancelled for the foreseeable future. The World Trade Organisation calculates that global trade will fall by 13% to 32% in 2020 and financial analysts predict the lockdown leading to recession or even depression, depending on which reports you read. One commentator (James Frew of Maritime Strategies International) believes that for the shipping industry the coming recession could be "unprecedented in ferocity but also short and sharp". He suggests that the industry is well-positioned for a rapid recovery in part due to the reduction in ship-building capacity. Tankers, for example, have a fleet to order book ratio today of around 9% compared to 43% following the financial crash in 2008. In truth, however, no-one can predict what the ultimate cost of the pandemic will be.

Ship and Crew Certification

The IMO has urged its member states to adopt a pragmatic approach in terms of survey and certification of ships, and most have responded by agreeing to allow extensions to certificates for 3 months past their expiry date, which is the maximum allowed under SOLAS and MARPOL. Similar provisions have been made for seafarer certificates, although there are differences in the length of the extensions allowed, ranging from 1 to 6 months. The Port State Control Memoranda have equally responded to a call for pragmatism and agreed to limit the number of physical inspections to only those high-risk ships which may be sub-standard.

Owners and operators should liaise with their Administrations and P and I Clubs in all situations where it may be necessary to request an extension to a certificate.

Ballast Water Treatment Systems

The US Coast Guard has recognised that the disruptions to supply chains and workforce availability caused by the global Covid-19 restrictions could lead to limited drydock availability for the installation of ballast water management systems. It will therefore grant extensions of up to 12 months to vessels with compliance dates falling before 1 April 2021 that have been unable to install a system because of Covid-19 measures. For such requests it will not be necessary to provide supporting documentation. Where an extension of longer than 12 months is requested, however, the vessel will be required to demonstrate that that a system was purchased and arrangements made to have it installed at the correct time.

The Coast Guard is able to make this ruling because the United States is not a party to the IMO's Ballast Water Convention, having introduced is own regulation in respect of ballast water management. It is not so easy for states that are parties to the Convention, since it contains no mechanism for such extensions. Guidance has been issued, however, on contingency measures to "…apply sound and practical measures in the case of a ship unable to manage ballast water in accordance with its approved Ballast Water Management plan…" It is hoped that where it has not been possible to install a system as scheduled Administrations will, in the spirit of pragmatism, allow ships to perform ballast water exchange in accordance with this guidance.

Ship Inspections

Both CDI and OCIMF have recognised the problems associated with despatching inspectors to ships and introduced temporary measures to address the situation. CDI has announced that where possible it will nominate available inspectors based locally but in the event that it is not possible to perform an inspection the active report will be extended for 2 months beyond the anniversary date of the initial inspection. OCIMF has increased the availability of SIRE reports from 12 months to 18 months and encouraged participants to "bear the current situation in mind when reviewing available reports during their vetting process" and carefully evaluate the need for an inspection.

While in the early days we received reports of inspectors not observing correct social distancing and other preventive measures while conducting inspections, both CDI and OCIMF have since issued guidance to inspectors in this regard and we trust that this is now being followed.

Crew Changes

Following proposals from the industry representative organisations, the IMO issued Preliminary Recommendations on the Facilitation of Maritime Trade towards the end of March, highlighting the importance of maritime trade to the global economy and society as a whole and encouraging member governments to ensure that ships have access to berths and are not prevented through quarantine restrictions from normal operating activities. The Recommendations further advise that seafarers should be designated as "key workers" providing an essential service and as such should be exempted from national travel or movement restrictions while joining or leaving ships. The European Commission subsequently issued guidance echoing the IMO recommendations and encouraging EU member states to allow crew changes in their ports.

Up to the time of writing these exhortations appear to be having little effect, however. There are very few ports which will allow crew changes, while governments - and in some cases individual port authorities - have been developing their own regulations. Even within Europe member states are still applying different measures. The European Community Shipowners Association (ECSA) is lobbying the EU for a uniform approach to be adopted in accordance with the guidance but only time will tell if it has any success.

The EU guidance proposes that member states should coordinate to designate a number of ports where fast track crew changes could be carried out, with dedicated or regular flight and rail operations to ensure transport connections for crew travel. At the same time an idea has been mooted among the various industry representative organisations that a network of crew change "hubs" could be developed around the world. The amount of work necessary in terms of coordination between ports, airlines, railways, etc. would be immense in both cases, however, and we unlikely to see either scheme come to fruition for several months.

Even if one or other scheme were to be put in place, it would not necessarily solve the problem of seafarers reaching a principal

airport in their country of domicile only to find it impossible to travel onwards to their home. There have been reports, for example, of seafarers being forced to camp outside the airport in Manila because of a lack of transport within the Philippines.

Individual companies are testing out their own solutions, generally involving transporting crew members overland to appropriate airports where a flight can be obtained. An emerging problem, however, is how to deal with replacement crew, who are being required to undergo quarantine on board according to the laws of the relevant Flag state - in most cases two weeks.

The situation is changing constantly, and a number of websites give continually updated information on the policies of the various countries and in some cases individual ports. We have found the following sites useful in this regard:

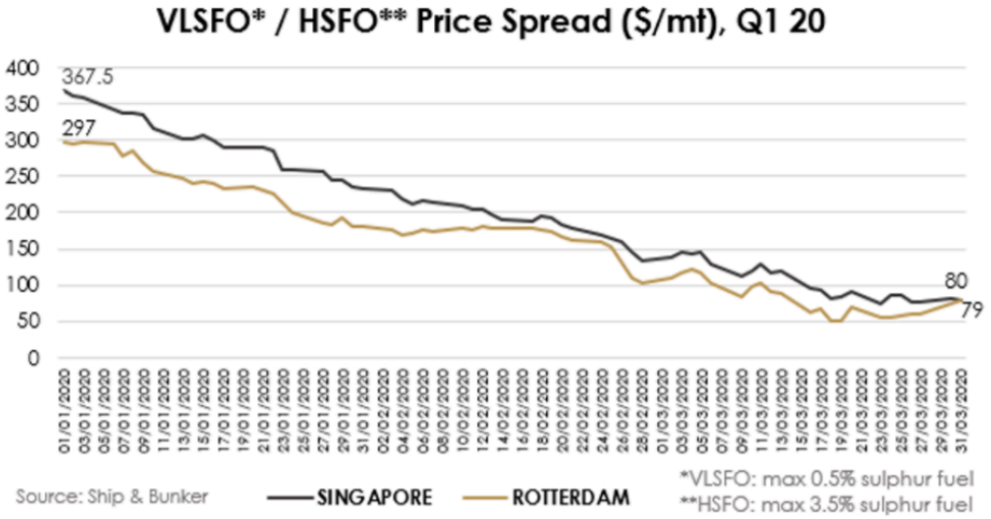
International Group
http://geollectcoronavirusdashboard.com.s3-website.us-east-2.amazonaws.com

Wilhelmsen Ship Service
https://wilhelmsen.com/ships-agency/campaigns/coronavirus/coronavirus-map/)

2020 Sulphur Cap in Force

The early part of the year saw numerous tales of problems with the new blended fuels but IPTA has received no reports of such issues for more than a month. Whether this is because the fuels are no longer presenting problems or simply that ships' crews have become more proficient in dealing with them we do not know.

With regard to availability, while there were a few initial problems, traders are now reporting that supply is healthy and the narrowing of the price differential between HSFO and VLSFO means that scrubbers are looking far less attractive than they did earlier in the year.



Black Carbon

Within weeks of the entry into force of the IMO 2020 regulation environmental groups were demanding that the use of certain VLSFO blends should be banned, initially in the Arctic but ultimately worldwide. This call came following the publication of a study funded by the German Environment Agency with the results submitted to the IMO jointly by Finland and Germany, which concluded that new blends of marine fuels with 0.50% sulphur content could contain a large percentage of aromatic compounds, which have the effect of increasing black carbon emissions. Black carbon, in turn, is a major contributor to climate change. A group of environmental organisations accordingly submitted a paper to the PPR Sub-Committee suggesting that this had

been a deliberate action on the part of the refining industry to cut costs, and calling for urgent action, including an amendment to MARPOL Annex VI to prohibit the use of low sulphur blends that increase black carbon emissions. The paper further proposed the adoption of a resolution calling on shipowners and fuel suppliers to observe a "voluntary prohibition on the use of any marine fuel whose aromatic content is likely to lead to black carbon emissions greater than those commonly associated with marine fuels".

Despite a highly emotive verbal introduction of the paper when the issue came up for discussion at PPR 7, the Sub-Committee did not agree with this characterisation of the situation. It was pointed out that the German/Finnish study was carried out in 2018, on samples of VLSFO that it was *anticipated* would be used in 2020. These samples had a high aromatic content, which led to the conclusions on the potential for formation of Black Carbon. In fact, most of the fuels currently on the market have a high paraffin content, and the International Organisation for Standardisation (ISO) pointed out that this means that ignition and combustion performance would be expected to be improved, resulting in lower emissions of Black Carbon. The environmental lobby further claimed that when the amendments to MARPOL Annex VI were agreed in 2008 it was envisaged that vessels would switch to distillates, which would not have led to increased emissions of black carbon. Delegates at PPR, however, pointed out that to characterise the issue as VLSFO versus distillates was not correct, since some distillates have high aromatic content and production of black carbon is dependent on many issues as well as fuel type, including the nature of the engine and fuel oil feed system and the local environment.

It was finally agreed that further research was needed into the issue, with proposals being invited to future sessions if it were to be felt that further regulation was needed.

Revised Carriage Requirements in the IBC Code

Following a lengthy review of carriage requirements in the IBC code the revised chapter 17 was adopted by MEPC 74 and MSC 101 last year and will enter into force on 01 January 2021. A couple of issues have arisen since adoption of the amendments, however, and these were dealt with at PPR 7.

Methyl acrylate and Methyl methacrylate

It was noted that special requirements 16.6.1 and 16.6.2, designed to keep heat away from the cargoes in question, had inadvertently been omitted from the entries for Methyl acrylate and Methyl methacrylate in column o of chapter 17. This was something of considerable concern,

since under normal circumstances the adopted text of any instrument is considered final and cannot be altered, but if these measures are not applied to Methyl acrylate and Methyl methacrylate they are liable to undergo polymerisation.

Since this is clearly a safety issue it was agreed that a circular should be issued with revised carriage requirements for the two products in question including special requirements 16.6.1 and 16.6.2. The circular states that :

"*In order to mitigate the exposure to excessive heat and the possible initiation of the polymerization process,… the revised carriage requirements for "Methyl acrylate" and "Methyl methacrylate" in the annex to this circular should in this exceptional case be used in lieu of the carriage requirements contained in the 2019 amendments to the IBC Code.*"

The revised carriage requirements will be included in MEPC.2/Circ.26 when it is issued in December this year, for inclusion in the next edition of the IBC Code.

ETBE

Under the amended IBC Code that will enter into force in 2021 ETBE requires carriage as Type 2. New data has since been submitted to GESAMP however, leading to a revised hazard profile, and ESPH 25 accepted a submission from the US that would confirm the cargo as Type 3. This new carriage requirement was included in MEPC.2/Circ. 25 but since the IBC code supersedes the MEPC.2/Circ., the cargo would still have to be carried as Type 2 once the revised IBC code enters into force next year. The US therefore submitted a paper to PPR 7 proposing a circular that would allow cargoes whose carriage requirements had been changed to be carried under those in the MEPC.2/Circ. rather than those in the IBC code.

While this would certainly make sense where carriage requirements have been downgraded, we were concerned that the proposed circular could lead to certain to member states requiring upgraded carriage requirements (e.g. a change from Cat Y to Cat X) to be applied immediately upon the amended carriage requirements appearing in the MEPC.2/Circ.. After some discussion it was agreed that rather than issue a circular it would be simpler to add a qualifier to the name of the reassessed product in the MEPC.2/Circ., e.g. ETBE (2019). In this way a clear distinction would be shown between the existing and the reassessed product. If the product was to be shipped under the new carriage requirements the Certificate of Fitness would not need to be reissued as the reassessed product could be included as a separate product in the addendum to the Certificate. It was further agreed that when reassessing existing products, the ESPH Working Group would decide whether or not to add a qualifier to allow the amended carriage requirements to apply.

Reduction of Greenhouse Gas Emissions

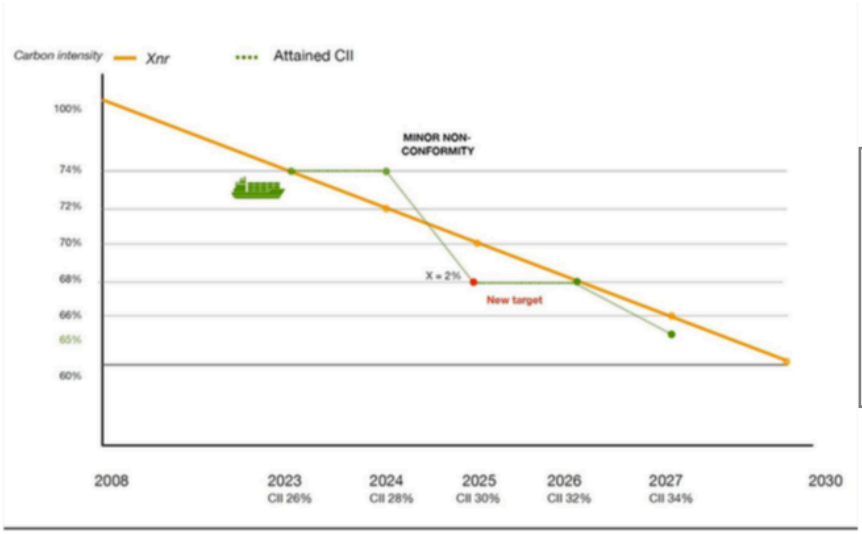
The momentum on this issue has stalled somewhat with the introduction of restrictions related to Covid-19 and the postponement of all IMO meetings through to the end of June. March should have seen the 7th intersessional working group on GHG emission and the 75th session of MEPC, both of which were scheduled to progress the development of technical and operational efficiency measures. While it was undoubtedly an ambitious goal, many were hoping that MEPC 75 could approve draft regulations in this regard for formal adoption at MEPC 76 in October, allowing the regulations to come into force in mid-2022, thus meeting the commitment to have short term measures in place by 2023. Given the IMO procedures governing the timing of amendments to mandatory instruments and the delay that the pandemic has caused, it is hard to see how that timetable could be maintained. At the time of writing there has been no indication from the IMO as to when meetings will be resumed and with both MSC and MEPC having been postponed, as well as the Legal and Facilitation committees and a number of sub-committees, the question now is which will take precedence once operations start up again. It could be argued that it should be MSC, since it deals with safety issues, but we suspect that the environmental lobby, who have already claimed that the reduction of GHG emissions is the most important issue on the IMO's agenda, will win the day.

Technical and Operational Measures

At the last intersessional working group in October last year it was clear that there was very little support for prescriptive measures such as mandatory slow steaming, but no agreement was

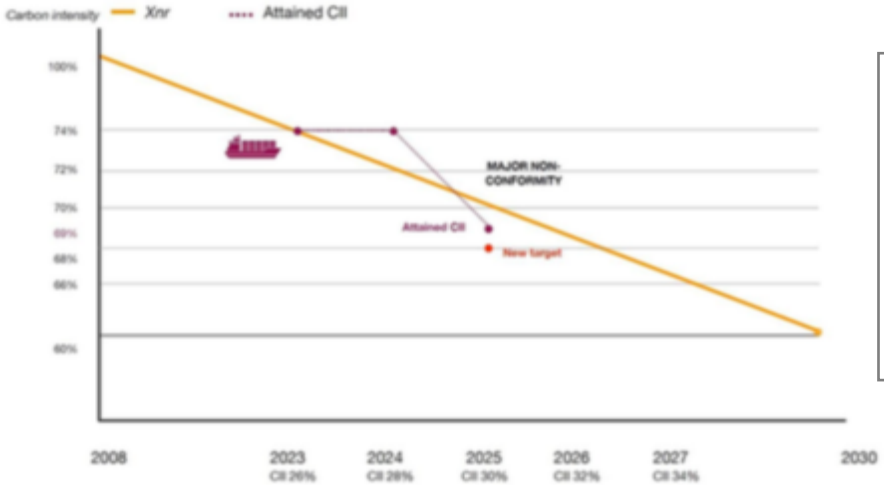
reached on whether the favoured goal-based approach should take the form of pre-certified technical measures (EEXI) as proposed by Japan or annual measurement of efficiency by a Carbon Intensity Indicator such as the EEOI or AER (or a mixture of both) as per a number of submissions. It seems clear now that we are likely to end up with some form of measurement of carbon intensity, possibly combined with EEXI.

The strictest measures envisaged have come from Denmark, France and Germany, who have submitted a joint revised proposal for an operational measure that would require ships to meet annual carbon intensity reduction targets. These targets would require ships to reduce their emissions to around 26% below the 2008 level in 2023, then in annual increments up to 40% below by 2030. The 2008 emission level, would be calculated by reference to the EEDI reference lines for different ship types, adding different correction factors. “Minor non-conformities” of up to 5% below the target reduction level would be tolerated but the shortfall would have to be made up in the following year. If the shortfall was of more than 5%, or if the vessel failed to make up the difference in the subsequent year, this would be classed as a “major non-conformity”, meaning the International Energy Efficiency Certificate would not be renewed and the vessel would have to cease trading.



A ship in compliance throughout five years, but with a non-conformity in 2024,

In 2025, the ship has to perform 30% CII reduction + 2%. As it reaches 32% it recovers conformity in 2025.



A ship with a non-conformity in 2024, and with an additional 2% added to its 2025 required carbon intensity reduction factor.

In 2025 the ship has to perform 30% CII reduction + 2%. As it attains only 31%, it is a major non-conformity in 2025 and the IEEC ceases to be valid.

The major drawback with this approach, as we see it, is its rigidity. There is no come-back envisaged for a vessel that incurs a major non-conformity, and yet it relies on a system of measurement of carbon intensity (the AER) that has been shown to be unreliable. In simply dividing CO2 emissions by ship capacity multiplied by distance travelled, it takes no account of factors such as weather and currents that could affect fuel consumption and hence emissions. It has also been pointed out that this form of measurement could actually favour ships sailing in ballast.

China, by contrast, appears to have given far more thought to the issue and has submitted, together with Brazil, a paper that acknowledges that the target is a 40% reduction in carbon intensity *as an average across internationa*l *shipping,* meaning that the carbon intensity of

individual ships might be higher or lower, due to the highly volatile nature of operational performance. This proposal sets out a method for calculating the achieved carbon intensity reduction of the world fleet, rather than individual ships, weighted by the proportion of CO2 emitted by each ship type according to the IMO's 4th Greenhouse Gas Study. This would mean that improvements in carbon intensity due to increased average vessel size would be taken into account and any excess reduction in one sector could offset a lesser reduction in another. The China/Brazil proposal further envisages compliance being based on corrective actions and strategies rather than the resulting measured CII and being recorded in a Statement of Compliance rather than the IEEC, the intention being to motivate best practice rather than penalise ships that fail to achieve the desired target.

A number of other proposals offer variations on this theme, including one from a group including Singapore, Panama and Liberia that recognises the uncertainty currently surrounding Carbon Intensity Indicators and suggests an initial period of three years reviewing their accuracy before imposing any penalty for non-compliance. We suspect that such proposals would be considered to be letting the industry off far too lightly, however, and that those frustrated by the delay will be pushing for stringent measures to be imposed as soon as possible.

Chemical Tanker Concerns

Even if the IMO were to go for a more "reasonable" set of measures, we are still concerned that they all involve a system of measurement that could ultimately prove inequitable for the chemical tanker industry, with its unique operating profile that means ships can use significant amounts of fuel for purposes other than propulsion. We have submitted a paper to the working group and MEPC expressing our concern that the carbon intensity indicators currently on the table (namely EEOI and AER) both rely purely on distance travelled in measuring carbon intensity and would thus give a distorted picture of the carbon intensity of many chemical tankers, given the complexities of the trade and the demands that certain cargoes make on fuel consumption that would not be accounted for in the calculations. The unreliability of these metrics has already been acknowledged but as yet we have seen no alternative proposals and fear that in the urgency to get some sort of measure in place such concerns will be brushed aside.

Prewash for Vegetable Oils 2021

Preparations in the Port of Rotterdam

IPTA has been contacted by the Port of Rotterdam with an update on preparations being undertaken for entry into force in January next year of the MARPOL Annex II amendments that will require vessels discharging vegetable oils and animal fats in a large proportion of European ports to perform a prewash before leaving the port of discharge. MARPOL requires states parties to ensure that adequate reception facilities are available for the volume of products received in their ports. As the port dealing with the largest of volumes of vegetable oils in Europe, Rotterdam is taking this issue very seriously and has established that they will able to provide sufficient facilities for ships to deliver their prewash ashore. (It is less clear how these slops will be processed once ashore, but that is a problem for the port, not the ship.)

The issue currently preoccupying the Rotterdam port authority is how to ensure that prewash operations are carried out as efficiently as possible without increasing port congestion and emissions. While there is sufficient layby berth capacity for such operations, the port authority would prefer to see prewash carried out at the discharge terminal. They see this as being preferable on many levels for both the port and the ship, in that residues would not have cooled and would therefore be easier to clean, time taken for the operation would be reduced, along with associated costs for shifting, and there would be fewer emissions generated in the port.

Discussions are underway with the terminal operators and the authority is hopeful that they can be persuaded to agree to allowing prewash for these products to be carried out alongside. The aim is to reach some agreement by the autumn in order to allow information to be disseminated well before 1 January. We will keep members advised and can only hope that other ports in the region are preparing as diligently as Rotterdam.

FOSFA and Passivation

We would remind members that passivation is no longer referred to at all within the FOSFA documentation and therefore cannot be considered to render tanks "virgin", even if carried out in drydock as per the original rule.

The FOSFA Council endorsed the decision of the Oils and Fats Committee that because of concerns that passivation was being seen as an operational procedure to "FOSFA-ise" tanks, "*passivation will no longer be a recognised procedure that nullifies the previous cargo in stainless steel tanks, treating such tanks to be considered new buildings*".

FOSFA acknowledges that "*passivation will continue to occur to meet shipowners' requirements to maintain and preserve the steel and possibly other carriage requirements, but strongly feels that the risk of contamination to cargoes of Oils and Fats has been severely enhanced by the evident practices that have emerged….*"

Revised documents with all references to passivation deleted became effective on 1 April this year and can be found in the Members' area of the IPTA website.

Piracy and Armed Robbery

The International Maritime Bureau (IMB) reports a total of 47 incidents of piracy and armed robbery at sea in the first quarter of 2020, an increase of 23% on the first quarter of 2019. Somalia and the Gulf of Aden are currently quiet, and although there has been a spike in incidents in the Singapore Strait, most incidents in SE Asia have been fairly low level. The Gulf of Guinea is currently by far the worst affected area, with 13 vessels boarded and 4 fired upon in the first quarter. All the shootings occurred in Nigerian waters, the furthest 130 miles from the coast.

The IMB reports that it is engaging with navies in the region, who have responded to incidents "from time to time", but there is increasing frustration in the industry at a general lack of coordinated action. A conference was held in October 2019 to discuss the security situation in the region. Among the conclusions drawn were that local navies are insufficiently resourced to combat the better funded pirates and that more should be done to invest in infrastructure and job creation in the Niger Delta, where it is believed many of the pirates come from. It was also acknowledged that there was a need to legislate for piracy and associated maritime crimes and cooperate on a regional level. Nigeria subsequently implemented a new law on the Suppression of Piracy and other Maritime Offences, an act designed to criminalise piracy and impose severe penalties on offenders.

As we write there are reports of Nigerian special forces being despatched to assist in responding to the kidnapping of 8 crew members from a containership boarded by pirates off the coast of Benin. Whether this signifies a change of attitude by the authorities in the region remains to be seen, but there is no doubt that this remains an extremely dangerous area and ships operating in the region are urged to follow the recently published BMP West Africa.

IPTA Meetings

As with all other meetings, the IPTA meeting scheduled for 22 April in Singapore was cancelled and while we would hope to able to hold the AGM in the autumn as usual, it is currently impossible to predict when global restrictions will be lifted to the extent that we can consider face to face meetings again. We will keep members informed of all and any developments.