

Notes

MARPOL Annex VI Roundtable: Fuel oil quality and availability

DATE/TIME Tuesday 15 December 2020, 2 pm – 3:30 pm

LOCATION Ministry of Transport, 3 Queens Wharf, Wellington – or remotely via MS Teams

Welcome, introductions, expectations for today

Following on from earlier roundtables for Annex VI, today's meeting is about exploring its provisions relating to fuel oil quality and availability (Regulations 18) in greater detail.

Annex VI overview

- The focus of Annex VI is to address the impact of air pollution from shipping activities on human health and the environment, as well as the impacts of emissions from shipping activities on climate change and ozone layer depletion.
- Following public consultation, New Zealand decided to accede to Annex VI in 2019. We are now in the process of aligning domestic regulations to enable accession by the end of 2021.

Summary of current Annex VI fuel oil quality provisions

- The focus of Regulation 18 is the quality and availability of fuel oil, with the definition of fuel oil being relatively broad.
- Suppliers are to meet quality requirements for fuel (petroleum and non-petroleum based) – excludes solid coal and nuclear.
- For any ships using fuel oil, the chemical mix of oil must meet certain standards, for example:
 - Be free from inorganic acid
 - Comply with the standards set out in the Annex VI sulphur oxides regulations
 - For fuels not derived from petroleum refining, not cause a breach of the Annex VI nitrogen oxides emission standards (For petroleum refined fuels, NOx control is achieved by engine standards).
- Suppliers must document the sulphur content of fuels.
- Fuel oil delivered to ships 400 GT and over require a Bunker Delivery Note (BDN) and a sealed fuel sample (must retain on ship for 3 years and at least 12 months respectively)
- The BDN must contain info specified in appendix V to annex VI – including delivery date, supplier details, product name, quantity, density, sulphur content.

Summary of current Annex VI fuel oil availability provisions

If compliant fuel is not available:

- documented proof is required to be on the ship of the effort taken to comply.
- a New Zealand flagged ship must

- notify Maritime NZ of the port at which compliant fuel was not available
- advise the maritime administration of the next port of destination by completing a Fuel Oil Non-Availability Report (FONAR) in accordance with IMO guidelines.

Provisions we are still considering

- where the requirements fit in NZ legislation
- what roles and responsibilities will be between different agencies (MBIE and Maritime NZ)
- how requirements may be applied to larger recreational vessels
- whether to include domestic ships in the BDN requirements.

Supply and storage

- Energy supply chain issues were the primary focus of stakeholder questions and discussion.
- Storage capacity is a big issue that significantly impacts the supply chain. Storage units are owned by fuel suppliers and ports. Currently, fuel supply in NZ operates on a 'just in time' approach – the storage issue throughout the country is long standing. Industry is seeking to move from a 'just in time approach' (needing just enough storage capacity to maintain supply until the next international shipments) based on the current fuel supply chain (including Marsden Point) to having more storage capacity in NZ to cope with disrupted international shipping schedules (due to Covid-19 and the uncertainty around Marsden Point's future).
- There is potential for Marsden point to be used as a storage facility in the future, however the future of Marsden point is unknown.
- Different sectors have different needs e.g. cruise ships need a different type of fuel to the cook strait ferries and there is concern across the different sectors about whether there will be a supply of the required fuel.
- Cruise ship industry concern about supply of heavy fuel oil (HFO) (for use with EGCS – this will depend on availability - future importation of HFO is unknown, however it was noted that there is currently a lot of HFO in stock in NZ. EGCS will keep demand up for a while. EGCS not a declining technology around the world.
- If HFO isn't available due to supply chain issues, and HFO users switch to diesel, in terms of energy consumption, there was a suggestion to consider how the CO₂ emissions from diesel consumption weigh up against the reduction in SO_x.
- There was a view that an increased demand in marine gas oil may have an impact on supply for land-based users of the same fuel (diesel).
- In the fishing industry – systems are set up to change between different fuels. Impact on the fishing industry in terms of cost of compliant fuel. LFO is cheaper than marine gas oil. Cost of importation the main concern. If it is not economically viable to import LFO, fishing companies will need to move to MGO. There was a suggestion that MNZ gets the supply industry on board.
- The types of fuel being discussed include diesel/gas oil, LFO. If LFO is no longer available, more gas oil will be used, which will have a knock on impact on other industries in NZ.
- Industry will need guidance from suppliers on what will be available.
- This led into a discussion about the roles of government and the private sector in terms of future proofing the supply chain.
- It was agreed that the supply chain issues are much wider than the Annex VI project; however, they do have implications for Annex VI implementation.
- While the private sector can exert demand side pressure on fuel suppliers, it may be beneficial for the Ministry of Business, Innovation and Employment (MBIE) to be more closely engaged in this project, to provide information and expertise regarding the energy sector, and to better understand the energy-related concerns of the maritime sector.
- There was also a suggestion that it would be useful to document roles and responsibilities e.g. who is taking responsibility for doing what, to ensure that all necessary steps are captured.

- Industry is seeking a consolidated, coordinated attempt from government to support in solving the issue.
- A discussion between relevant government agencies will follow regarding the supply chain issue.
- MBIE will seek confirmation of how reserve requirements currently work in relation to the different fuel types used for marine fuel.

Other key points

- It was noted that the BDN requirements are already in practice and are largely Annex VI compliant – meeting BDN requirements will not be difficult.
- In terms of testing, it was highlighted that not all ships have accessible bunkers.
- COVID-19 impacts are also complicating the situation for industry e.g. companies may have stranded assets when the cruise season starts again. There are also longer wait times for any gear that may need to be ordered to make modifications (e.g. 3 – 4 months)
- The Independent Petroleum Laboratory (IPL) role is to test that fuel meets regulations (to an ISO standard)
- Cost of vessel maintenance is affected by the fuel type
- There was a question regarding whether NZ is considering making ECAs in the future – this is not currently being considered as part of implementing Annex VI.
- There was general support for the use phase-in periods, where possible and appropriate, to implement Annex VI. It was noted that some regulations within the Annex allowed for this, while others did not.

Additional opportunities to engage

- MNZ, MoT and MBIE will discuss roles and responsibilities for implementation of Annex VI. Officials will also seek to clarify the cause of concerns regarding the supply chain issue and are interested in hearing more from stakeholders regarding this issue.
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Next steps – continuing engagement

- We are currently engaging with stakeholders through a series of focussed roundtables like this one. Notes on each meeting will be posted to our website.
- We will be consulting on draft rules to implement Annex VI around the middle of next year.
- New webpage, one-pagers and roundtable notes are located at <https://www.maritimenz.govt.nz/rules/marpol-annex-vi>.
- If you have any questions or wish to provide further feedback email MARPOLAnnexVIProject@maritimenz.govt.nz.

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