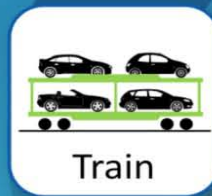




Sulphur Content in Marine Fuels



Position Paper

December 2011

ECG POSITION ON THE EUROPEAN COMMISSION REVISED SULPHUR DIRECTIVE 1999/32/EC PROPOSAL

ECG firmly believes in international regulation for the shipping industry that leads to improvements of the environmental performance of the sector and reduction of the risks for human health.

The IMO MARPOL Annex VI addresses air pollution issues at global level and, in particular, set specific limits for the sulphur emissions, such as the 1.0% in Emission Control Area (ECAs) and a global cap of 3.5% elsewhere as of 1 January 2012. With the introduction of stricter limits in the near future for ECAs (0.1% sulphur content) and a 0.5% global cap in 2020/2025, the environmental benefits will be further improved worldwide.

In addition, the current EU legislation establishes a 0.1% sulphur content limit for all ships at berth in EU ports and in inland waterways and a 1.5% limit for passenger ships in Member States' territorial waters, further improving the situation at European level.

While ECG advocates the environmental goals of MARPOL Annex VI, it is concerned regarding the application in 2015 of the 0.1% sulphur content fuel in the European Emission Control Areas (Baltic Sea and North Sea/English Channel). Several impact assessments and studies have been made by Member States or commissioned by the European Commission and other institutions or organisations such as ECSA (European Community Shipowners' Associations). The ones showing a very positive cost/benefit analysis either do not take into account the possibility of a modal shift from sea transport to road transport or are based on assumptions that do not reflect real market circumstances, short term effects and/or realistic characteristics of vessels (e.g. the COMPASS study used as basis by the European Commission for its impact assessment). Other studies, including the one commissioned by ECSA, reach the conclusion that the modal shift could be quite significant, potentially up to 50%; this may lead to a reduction of services and/or a closure of services on some routes.

It is also important to note that technological compliance using alternative measures to comply with the 0.1% limit (i.e. LNG as an alternative fuel and "scrubbing" technology) may not be viable by 2015, since:

- LNG as alternative fuel is extremely limited for the moment, it can be used only in newly-built ship (refitting presents technical and financial problems) and there is a lack of dedicated bunkering safety rules and infrastructure;
- The use of current scrubbing technology is encountering serious barriers to investment. This is because the long term performance and durability of this technology in a maritime environment has not yet been proven. In addition, there is the lack of clear discharge standards for all systems' residues.

With regard to the new proposal of the European Commission, ECG's stance is aligned with ECSA's: **the EU should refrain from introducing new elements or requirements incorporated in the revised Directive 1999/32/EC that go over and beyond the ones agreed in MARPOL Annex VI. Furthermore, the revised Directive should expressly allow Member States to address, in the framework of IMO, the adverse environmental/health consequences of a modal shift that might occur when the 0.1% limit will be implemented in SO_x ECAs in 2015.**

Shipping is a global industry operating in global markets and it should be regulated by global rules. Moreover, any new regulation should only follow impact assessments to prevent suboptimal or even negative outcomes for society.

Major points of concern in the European Commission proposal

As stated above, ECG's position is in line with ECSA's, in particular the major elements of concern in the European Commission proposal are:

1) New requirement for passenger ships in non-SO_x ECA waters (article 1, point 6, amending Article 4a of the current Directive)

ECG strongly opposes the incorporation of the new requirement for passenger ships in non-SECA EU waters (0.1% sulphur content fuel in 2020) in the revised Directive. The environmental / health value added from such a measure, which is considered as a designation of new SO_x ECA's by subterfuge, has not been properly demonstrated by the European Commission. These ships will in any case be subject to the IMO global limit of 0.5% in 2020 or 2025, which will deliver a major emissions reduction.

2) Lack of a fuel availability clause

ECG urges the EU to align the revised Sulphur Directive with MARPOL Annex VI Regulation 18 (Fuel Oil Availability) on the protections afforded to ship owners in the event of non-availability of compliant fuel oil. In the event that compliant fuel might not be available in some ports (e.g. lacking in the physical distribution of compliant fuel), the ship should be permitted to invoke the exemption as foreseen under MARPOL Annex VI Regulation 18. The ship should not be required to deviate from its intended voyage or to delay unduly the voyage in order to achieve compliance.

ECG supports ECSA's new article proposal.

3) ECAs requirement as from 2015

The problem of modal shift from sea transport to road transport and the non timely availability of technological equivalent measures should not be underestimated, and, conversely, the availability of alternative solutions that prevent modal back shift should not be overestimated. It is therefore suggested to have a proactive monitoring of the effects by Member States and to have mitigating options in place well in advance of 2015.

ECG supports ECSA's suggestion to insert the following text at the end of point 1 in Article 4a: "with the exception of ships that are granted an exemption from the requirements under MARPOL Annex VI."