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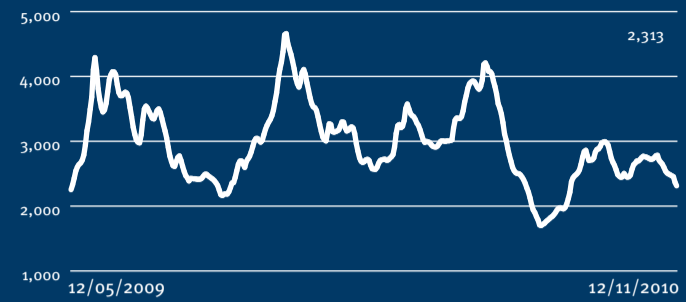


US intermodal box moves booming
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Lloyd's List

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BALTIC DRY INDEX May 2009-NOVEMBER 2010



Source: Baltic Exchange

Owners seek exemption from low-sulphur fuel rules

German study backs up shortsea operators' concerns that regulators have not fully evaluated the consequences of SECA legislation

JANET PORTER

SHIPOWNERS operating shortsea ro-ro and container services in the Baltic and North Sea are warning of a huge shift in cargo to road transport unless they are granted an exemption from tough new emission rules that come into force in 2015.

Backed by the results of a detailed study into the impact of very low-sulphur fuels, shipping companies affected by the controversial 0.1% requirement will now be stepping up pressure on policymakers to amend the law before it is too late.

If nothing is done to reverse the Sulphur Emission Control Area regulations, there will be a massive increase in road freight across parts of Europe, with some shipping operations likely to close down rather than face the punishing cost of complying with the 0.1% rule.

The International Maritime Organization "had no idea what it was doing" when members adopted such draconian requirements for the SECA area, TT Line managing director Hanns Conzen said as an in-depth analysis of how the pending requirements will impact shipping was published by Bremen's Institute of Shipping Economics and Logistics.

Regulators "did not study the consequences" of what they were imposing on the industry, Mr Conzen said.

Grimaldi Group's joint managing director Emanuele Grimaldi made similar allegations earlier in the week and is equally angry about the lack of understanding at political level.

While neither Mr Conzen, Mr Grimaldi nor other shipowners have any objection to cutting sulphur content in marine fuels to 0.5%, as will be required eventually on a global basis, they are adamant the further reduction to 0.1% for certain areas is unworkable. The level is already down to 1% in the SECA zone.



TT Line's ro-pax *Nils Holgersson*: the German study estimates that the new rules could result in ferries to the Baltic states losing 46% of their traffic.

Until now, opponents had no firm evidence to support their views. But the new report — commissioned by the German shipowners' association Verbandes Deutscher Reeder and German ports association Zentralverband der Deutschen Seehafenbetriebe — arms the industry with a powerful lobbying tool.

The study estimates, for example, that ferries to the Baltic states could lose 46% of their traffic. Overall, up to 823,000 teu of containers and around 604,000 trailers a year would move from sea to land transport if shipowners were compelled to

meet the 0.1% figure. In contrast, cutting sulphur content to 0.5% would be both manageable and have a significant impact on emissions without greatly raising costs, the study concludes.

But if regulators refuse to revert to 0.5% for the SECA zone, then the only alternative would be to grant an exemption for those ships operating in the shortsea trades, according to Mr Conzen. He estimates that around 300 ships deployed in intra-Baltic services, and an equal number in the North Sea, would be eligible. Ships operating in longhaul services to destinations in the region

would not have to be exempt, since compliance costs would be far less onerous.

For those operators that are heavily involved in the North Sea and Baltic shortsea trades, meeting the 0.1% target by 2015 could probably only be achieved by the use of petroleum distillates, and not heavy oil, according to the Bremen study. But the production of distillates is complicated, the report notes, and therefore is more expensive for the industry. One estimates put the extra cost at between \$3m and \$4m a year per ship.

That is not the only concern of those caught up in the dispute, however.

Scrubbers retrofitted on ships could reduce payloads by as much as 15%, while operators would be greatly limited in the charter market when in need to tonnage, since most vessels would not be able to meet the specific SECA standards.

There are also ridiculous anomalies, shipowners will tell regulators, with a situation in Europe where ships operating in waters to the east of the UK will have to comply with the 0.1% requirement by as early as 2015, whereas those in the Irish Sea on the other side of the country will only have to meet a 3.5% limit up to 2020.

RISK OF CONTAINER TRAFFIC SHIFTING TO ROADS

| Market | Traffic 2015 (1,000 teu) | | | Shift 2015 in % | | | Shift 2015 (1,000 teu) | | |
|------------------------|--------------------------|----------|-------|-----------------|----------|-------|------------------------|----------|-------|
| | Feeder | Shortsea | Total | Feeder | Shortsea | Total | Feeder | Shortsea | Total |
| Poland | 865 | 75 | 941 | 27% | 26% | 27% | 233 | 20 | 252 |
| Lithuania/Latvia | 448 | 51 | 499 | 16% | 35% | 18% | 73 | 18 | 91 |
| Russia/Finland/Estonia | 2,202 | 461 | 2,663 | 1% | 25% | 5% | 14 | 115 | 129 |
| Norway | 338 | 34 | 371 | 17% | 27% | 18% | 57 | 9 | 66 |
| Sweden | 577 | 64 | 641 | 24% | 31% | 25% | 138 | 20 | 158 |
| Denmark | 340 | 28 | 368 | 34% | 33% | 34% | 117 | 9 | 126 |
| Total Baltic Sea | 4,771 | 712 | 5,483 | 13% | 27% | 15% | 632 | 191 | 823 |

Source: Institute of Shipping Economics and Logistics

NEWS HIGHLIGHTS

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Shipowners are aware that the IMO will not want to admit it has made a mistake, but will use the Bremen study to argue their case in an urgent bid to get the regulation overturned before the situation becomes irreversible.

"We ask the German government urgently to try everything with us and the other industrial partners in order to maintain the ecological and health-goals that were envisioned with the new Marpol rules and bring them in line with social and economic requirements. The study shows that additional measures are needed to make this possible," said VDR chief executive Ralf Nagel.

German owners are urging their government to open dissections with the relevant IMO groups about appropriate measures to avoid the "unwanted modal shift" and maintain competitive equality. ■

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