

# An industry point of view



Danish Maritime Days

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# Two crucial questions

## 1. **Is Maersk concerned with the enforcement of the SOx rules?**

Yes, we are still concerned.

## 2. **If so, are our concerns justified?**

We are not yet convinced that the enforcement regime is robust enough to detect all non-compliant ships.

# Why is Maersk so interested in the enforcement of the SOx emission regulations?

- **Non-compliance will create an uneven playing field**
- **Maersk alone spends 200 million \$ a year to comply with the current SOx regulations**
- **There is significant financial incentive in circumventing the rules**
- **Is it Maersk's job to ensure a level playing field (= a robust enforcement regime)?**

# Challenges of complying with the SOx rules

1. Convert former LSHFO tanks to MGO tanks
2. Availability of compliant 0.10% S fuel (MGO)
3. Fuel switch-over

# Why is SOx special compared to other current rules?

- **Ballast Water:**

- Inherent carriage requirement



- **NOx Tier III:**

- Inherent carriage requirement



- **SOx:**

- Purely operational – evidence of compliance is basically a piece of paper with no standard format.
- The “cheating bonus” can run into \$millions



**Such a ship can save 1000\$ / hour**



# Will non-compliance be **widespread**?

- **History** shows countless examples of cheating in the shipping and bunkering industry:
  - Magic pipes to circumvent OWS
  - Magic pipes to transfer cargo oil into bunker tanks
  - Falsified or fake Bunker Delivery Notes (BDN)
  - Falsified adjustment of Oil Record Books
  - Hidden tanks
  - Turning off AIS
- Bunker cheating (through quantity short delivery) is about 2% - which runs up to **100+ million a year for Maersk alone** and many **billion dollars a year in the industry**



# Statistics for inspections and compliance

- According to the latest findings from EMSA's, based on data in THETIS-S, from 1. Januar till July 2015, 3821 inspections of fuel were carried out in EU (document control).
- **Non-compliance-rate was 6,04 %.**
- At some of the 3821 inspections, a sample of "fuel used" was taken. It amounts to 622 samples.
- **Non-compliance rate of those samples was 5,95 %.**
- **Is that satisfactory?**
- **What are the details of the non-compliant cases?**



# Detection of non-compliance is very difficult

- **Inspections are mostly limited to ports**
  - Is that representative of what's really going on?
- **National boundaries limits the efficiency of compliance control**
  - On paper we can regulate out to the EEZ, but can we enforce it?
- **Today there is no easy solution for detection in high seas**



# Penalties are often not "effective, proportionate and dissuasive"

In many countries the planned penalties are not "effective, proportionate and dissuasive":

- Penalties down to fines as low as **1500€**
- ...compared to savings on **90-100.000\$** per trip, per ship!
- Very few detentions.
- Norwegian Maritime Authority found the vessel *Sardius*, owned by Dutch company De Bock Maritiem BV to have breached the 0.10% sulphur limit within the ECA twice. The fine was NOK 100,000 (approximately **\$12,200**).

## PENALTIES FOR NON ECA SO<sub>x</sub> COMPLIANCE

ECA limits: January 1 2015, maximum sulphur in fuel drops from 1.0% to 0.1%. Other possible permissions are to use LNG fuel or abatement technology with high sulphur content fuels providing SO<sub>x</sub> emissions are below 0.1%

Country	Penalty
Denmark	Equal to the cost advantage the carrier had on that voyage
Sweden	To be established when the first case goes to court
Germany	€2,000 - €5,000 (\$2,759 - \$6,898)
Netherlands	Declined to comment
UK	Up to £50,000 (\$82,616)
Finland	To be established when the first case goes to court
Poland	Up to €45,000 (\$62,087)
Estonia	Up to €2,000 (\$2,759)
Norway	Start at €10,000 (\$13,797)
Lithuania	€1,500 (\$2,069) plus the price of taken proper fuel on board

# Legal challenges

- Unclear who will police and enforce regulations **in EEZ and international waters**
- Uncertainty on **penalizing beyond national jurisdiction** - what part of the voyage can be penalized by the port state?
- Which **detection methods will stand in court** as evidence?
- Who can ensure that a Flag State actually fulfils its obligations and sanction ships flying its flag?
- How about the **Global Cap???**



At the end of the day it's all about maintaining a level playing field.



*THANK YOU*

