



# CAPITAL LINK FORUM- THE VOICE OF OUR YOUNG EXECUTIVES

## IMO 2020 – REALITY HIT – AND NOW WHAT?

From January 1st, 2020 the IMO's regulation for reducing the vessels' sulphur emissions to 0.5% was implemented. The plethora of the new regulations chart a new maritime landscape. Taking these challenges into account, the shipping industry faces structural changes in customer needs, supplier relationships, refineries, human capital and technology transformation. This is a significant change impacting the global fuel markets, where currently fuels with 3.5% sulphur are predominantly used.

Heavy fuel oils are still available and will continue to be, as long as there is a demand for these types of fuels. Under this new regulatory environment, ship-owners have to choose between scrubber's installation and the use of compliant fuel oil, gas oil or LNG, in order to be able to simultaneously manage operational issues that may arise. Analysts in the shipping field report that there are issues of quality, availability and increased prices of compliant fuels. "However, there has been a smooth transition to IMO 2020 so far". Analysis of fuel samples confirms that the bunkers are within the specifications and this is of paramount importance. Crews are also not familiar with scrubbers and thus, their training is equally important.

When contemplating the potential of scrubber's retrofiting, there is a number of challenges that should be taken into consideration. Compatibility and the age of the vessels play an important role in the choice of scrubbers installation. Vessels' structural design is not always compatible with the scrubber's installation, due to the lack of space and infrastructure. However, this problem may not arise when it comes to younger vessels which are more likely to be designed to have enough space for scrubbers. Another alternative solution is the LNG. LNG seems to be an intermediate solution

and is becoming quite popular, as it gains even more acceptance.

- Shipowners: Questions to consider:
- What are our fleet characteristics/fuel oil usage?
- Should we invest in scrubbers or switch to VSLFO?
- What is our vessel routing and how we plan fuel availability to avoid business disruption?
- What testing do we conduct for compliant fuel?
- How do we pass additional fuel costs to our customers?
- What additional processes do we need to ensure compliance?



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