



MARINE ENVIRONMENT PROTECTION  
COMMITTEE  
59th session  
Agenda item 4

MEPC 59/4/42  
22 May 2009  
Original: ENGLISH

## PREVENTION OF AIR POLLUTION FROM SHIPS

### Assessment of fuel availability and quality

Submitted by the International Petroleum Industry Environmental Conservation  
Association (IPIECA)

#### SUMMARY

|                                    |  |
|------------------------------------|--|
| <b><i>Executive summary:</i></b>   | This document expresses support for the proposal by ICS, OCIMF, BIMCO and INTERCARGO to establish a correspondence group to investigate and implement appropriate mechanisms for establishing future bunker fuel supply and demand scenarios, as envisaged by revisions to MARPOL Annex VI. It offers some specific considerations to be taken into account, including the limitations imposed on industry through competition law in different regions of the world |
| <b><i>Strategic direction:</i></b> | 7.3  |
| <b><i>High-level action:</i></b>   | 7.3.1  |
| <b><i>Planned output:</i></b>      | 7.3.1.3  |
| <b><i>Action to be taken:</i></b>  | Paragraph 7  |
| <b><i>Related documents:</i></b>   | BLG 12/6/1 and MEPC 59/4/6   |

#### Introduction

1 This document is submitted in accordance with paragraph 4.10.5 of the Guidelines on the organization and method of work of the Maritime Safety Committee and the Marine Environment Protection Committee and their subsidiary bodies (MSC-MEPC.1/Circ.2), providing comments on the proposal submitted by ICS, OCIMF, BIMCO and INTERCARGO to establish a correspondence group to investigate appropriate mechanisms for studying developments in the supply and demand for bunker fuels compliant with the revised MARPOL Annex VI (MEPC 59/4/6).

#### Comments

2 IPIECA acknowledges the concerns expressed by some Member States and observer organizations regarding the availability of sufficient quantities of compliant fuel to meet the envisaged demand. These concerns are reflected in the inclusion of a review clause into the

For reasons of economy, this document is printed in a limited number. Delegates are kindly asked to bring their copies to meetings and not to request additional copies.



revised MARPOL Annex VI, to the effect that supply availability would be determined by 2018 with respect to the introduction of the global sulphur cap of 0.50% in 2020 or 2025.

3 Refining is a technically complex business, which produces a wide variety of petroleum products from a single raw material, crude oil. For a given refinery and crude source, these products are produced in a more or less fixed ratio. It is therefore not possible to selectively increase the supply of any specific refinery product without affecting the production of other refinery co-products. Likewise, changes in demand to other refinery products, or changes to quality specifications of other refinery products may affect the production of marine fuels as well. An example is the rapidly increasing demand on desulphurization capacity for the production of low sulphur road transport fuels. Additionally, refinery products are traded on a global basis, and trading patterns play an important role in balancing supply and demand in different regions of the world.

4 The overall refining industry response to the changing marine fuel requirements that will result from the revised MARPOL Annex VI will be determined by a large number of independent decisions by each individual refinery operator regarding the operational adjustments and capital investments that are already being made or will need to be made. In making these decisions, refining companies are obliged to respect the restrictions on the sharing of market information and business plans imposed by competition laws (alternatively known as “antitrust” laws) of the countries in which they operate.

5 In light of the complexity of the business and the inherent difficulties in forecasting fuel supply and demand, as elucidated in document MEPC 59/4/6 and in paragraphs 3 and 4 above, IPIECA supports the view expressed by ICS, OCIMF, BIMCO and INTERCARGO that the mechanism to undertake the 2018 review needs to be assessed well before the formal review date. The establishment of an MEPC correspondence group to develop such review mechanism is appropriate and is therefore supported.

6 In order to ensure compliance with all applicable competition laws, in addition to the points raised in MEPC 59/4/6, IPIECA would offer the following additional considerations for the Terms of Reference of such a correspondence group:

- .1 any actual supply/demand study should be carried out by an independent consultant contracted by the IMO Secretariat;
- .2 any actual supply/demand study should be executed on the basis of publicly available information; and
- .3 the IMO Secretariat should retain overall management control of the provision of resources for the supply/demand study. In the event that external funding and/or human resources are required, they should be secured using the same resourcing model as the informal Cross Government/Industry Scientific Group of Experts study and report into revisions to MARPOL Annex VI (BLG 12/6/1).

#### **Action requested of the Committee**

7 The Committee is invited to consider the foregoing information and take action as appropriate.