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Press Clipping

Incentive for scrubbers driven by $200/mt price differential: shipowners

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By: Esther Ng, S&P Global Platts

High sulfur fuel oil has to be at least $200/mt cheaper than 0.5% low sulfur fuel oil or 0.1% marine gasoil to incentivize shipowners to install scrubbers, shipowners said Tuesday at the International Fujairah Bunkering & Fuel Oil Forum.

"The bigger the spread between high sulfur fuel oil prices and compliant fuel prices, the better it is for us to invest in scrubbers because the return on investment is faster," Torm's vice-president and head of bunkers, Martin Brodersen, said.

Hong Kong-based ship operator Pacific Basin Shipping will likely install scrubbers on ships that are five years old or new builds, but not on ships more than 10 years old because the return on investment, by the company's calculation, is around 4-5 years, the company's general manager of bunkers, Rakesh Sharma, said.

Shipowners have to take a position even if the price differential of $200/mt might not be there by the time the investment in sulfur abatement technology is realized, Sharma said.

"We have seen after the OPEC cuts some stabilization has taken place, which is a very good sign because we can plan," he said.

The International Maritime Organisation's announcement last year of a global sulfur cap of 0.5% in 2020 from the current 3.5% has left shipowners having to decided which options -- liquefied natural gas, marine gasoil or scrubbers -- to use to meet that cap.

Additionally, further restrictions on nitrogen and particulate matter emissions are likely to announced over the next decade.

Torm is a product tanker company with a fleet of around 160 vessels, headquartered in Denmark, while Pacific Basin owns and operates around 200 Handysize and Supramax dry bulk ships.