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### **Debunkering to rise, traders to play vital role, as IMO 2020 nears: Sing Fuels MD**

S&P Global Platts

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Debunkering activities are set to rise as an increasing number of shipowners opt for very low sulfur fuel oils as the main marine fuel choice to comply with the International Maritime Organization's upcoming mandate, Sing Fuels MD Sonnich Thomsen said at an industry event in Singapore.

"Tanks are already being cleaned so that ships can use 0.5% sulfur bunker fuels. Debunkering will also gather momentum due to the fuel oil carriage ban set to come into force from March 1, 2020," Thomsen said at the Inaugural Bunker Fuel & Ballast Water Compliance Conference 2019, or BuBWCE 2019, organized by Conference Connection last week.

Concerns over VLSFO availability were somewhat exaggerated initially, he said. Most parts of the world will be ready with 0.5% sulfur bunker fuels when the IMO 2020 rule is implemented, Thomsen said.

An increasing number of suppliers are already saying they are ready with VLSFO. So, HSFO with scrubbers will account for only about 15% of the total bunker fuel demand in 2020, Thomsen said.

Although VLSFO will be the chief fuel choice, LNG is also emerging as an interesting alternative, he said.

The economics looks favorable but the infrastructure and set up costs are quite high currently. So, its uptake will take time, he added.

#### **Role of bunker traders**

Bunker traders can help the industry prepare for IMO 2020 by mitigating many of the risks and overcoming some of the challenges the new rule brings, Thomsen said.



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"They [traders] need to be advisors, regulatory experts, and the eyes and ears on the ground for shipowners in general," he said.

They can also assist shipowners with technical guidance, best practices, liquidity, fuel tests, and pricing benchmarks as there will be a high need for disseminating information and providing inputs, he said.

Bunker traders can also help shipowners tide over their credit situation, Thomsen said.

"We are seeing fuel prices increase by 20%-35% which means global credit lines will be under great pressure going forward, studies are indicating that there will be excess \$2 billion-\$4 billion missing credit lines to the shipping industry going forward," Thomsen said.

Physical suppliers are tightening their credit terms, with some shortening their receivables from the usual 30 days to 15-21 days, he said. At the same time, shipowners are looking to stretch their payables to 45 days or even 60 days as their fuel bills set to rise significantly due to stricter emissions controls, he said.

"A massive mismatch exists and somebody will have to absorb it. In such a scenario, bunker traders can act as facilitators of credit," he said.

Meanwhile, IMO 2020 related claims are already starting to appear and are set to escalate next year.

Bunker traders can have a long term discussion with their customers on how to prevent them altogether or deal with them, Thomsen said.

"It will be a bumpy ride [for the industry] in the next six months but I am sure that things will stabilize thereafter," he said.

**Surabhi Sahu**, 21st November 2019 03:25 GMT