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What is IMO2020?

The International Maritime Organisation (IMO) has set new regulations, called IMO2020, with the aim of reducing marine pollution caused by the shipping industry in order to make the industry significantly greener in the future.

From January 1st 2020 onwards, all seagoing vessels will have to reduce sulphur oxides by 85%. The regulation will apply globally. In practice vessels are only allowed to use fuel with a maximum sulphur content of 0.5% as of 2020 or they have to install scrubbers if they use fuels with higher sulfphur oxids. At present the maximum is 3.5%.

Carriers have three options for reducing sulphur emissions:

1. Use of compliant (greener) fuels
Use of either marine gas oil, marine diesel oil or hybrid fuels with a sulphur content below 0.5%.

2. Use of LNG
LNG does not contain Sulphur.

3. Use of Scrubbers
The Sulphur dioxide emissions will be reduced in the exhaust gases with the help of scrubbers equivalently to the regulatory limit. This option allows continued use of 3.5% fuel. For this purpose either new built vessels are needed or massive re-engineering of the existing vessels needs to be done.

What will be the impact on freight rates?

Complying with the IMO2020 will have a major cost impact on the shipping industry. Costs will significantly rise.

The industry must prepare for a future with lower transport emissions. IMO 2020 will ensure that ocean transportation remains the most environmentally friendly and carbon efficient mode of transportation. We welcome this approach in order to protect the environment.

Carriers have different strategies to comply with it and have different ways to calculate the new Bunker charge that will be effective from January onwards.

According to current calculations, the expected increase in costs will also have a significant impact on freight rates. Carriers have provided initial cost increase indications but the final prices will depend on different factors like the volatile fuel price, the length of the transport, trade imbalances, reduced vessel capacities (short and long-term), “slow steaming” etc.

We will keep you updated on further changes.