



Implementation of 'IMO' low sulphur fuel directive

From 1st January 2020 the Irish Sea will become a designated emissions control area. All Isle of Man Steam Packet Company routes are within this area. IMO (International Maritime Organisation) Legislation stipulates that all vessels operating inside emission controlled areas must use fuel that has a sulphur content of under 0.50%. The use of low sulphur fuel will significantly reduce the amount of sulphur oxide emanating from ships, which in turn, will have major health and environmental benefits around the world, particularly for populations living close to ports and coasts.

The IMO has been working to reduce the harmful impacts of shipping on the environment since the 1960's. The implementation date of 1 January 2020 was first set in regulations adopted in 2008, however, it was not until October 2016 that the IMO's Marine Environment Protection Committee (MEPC 70) confirmed that the 0.50% limit will apply on 1 January 2020. This implementation date is fixed and cannot be amended or delayed.

There are several methods that may be used to meet the new low sulphur fuel emission standards. Using only compliant fuels is the simplest and most environmentally friendly method but the use of exhaust gas cleaning systems, or "scrubbers", which clean the emissions of more polluting fuel before they are released into the atmosphere is another way. The use of "scrubbers" is a very expensive solution and uses technology which has not yet proven to be reliable nor practical. Indeed some operators who have fitted scrubbers have found them to be unreliable and have been forced to remove them and move to using compliant fuels instead. The use of scrubbers is also very controversial with many ports banning their use. It is the intent of the Isle of Man Steam Packet Company, along with many other Irish Sea operators to use low-sulphur fuel oil.

As mentioned, the use of low-sulphur fuel will significantly cut harmful emissions, however, this type of fuel is much more expensive than the current heavy fuel being used. The Company has been in discussions with many fuel suppliers to help minimise this additional cost impact. Based upon current information and current exchange rates etc. we predict that the effect will be around an additional £2/metre on top of current fuel rates, albeit, it will depend on the volatility of worldwide demand and future exchange rate fluctuations. World fuel supply costs change on a daily basis and also reflect any changes in Sterling against the Dollar.

As part of our fuel surcharge mechanism agreed by government, the Isle of Man Steam Packet Company is obliged to absorb an increased share of these additional fuel costs in 2020. Half of the predicted increase for the first quarter of 2020 will be deferred until quarter 2 commencing on 1st April.

All customers will be informed immediately after a fixed fuel rate is calculated for Quarter 1 2020. We expect to have this price at the start of the second week in December 2019. We understand that any increase in fuel costs will ultimately have an impact on your respective customers. We advise all our freight customers to relay to their customers that these additional costs are necessary to comply with international emissions regulations, and to take account of these additional costs when negotiating contracts with their customers.

Further information can be found at the following link:

<http://www.imo.org/en/mediacentre/hottopics/pages/sulphur-2020.aspx>