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MEPC Turns Down Soft Rollout for 2020 Sulfur Rule	
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Reference:	MEPC
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MEPC Turns Down Soft Rollout for 2020 Sulfur Rule

Member state representatives of the IMO's Marine Environment Protection Committee (MEPC) turned down an industry proposal for an "experience-building phase" for the implementation of the 2020 fuel sulfur cap.

BIMCO, Intercargo, Intertanko, the Marshall Islands, Liberia, Panama, the Bahamas and the United States had proposed a soft rollout for the sulfur rule in order to avoid "unduly penalizing individual ships" for noncompliance when the rule takes effect on January 1, 2020. Despite the powerful coalition behind the plan, MEPC has decided to keep its hard deadline for now, but it expects to take up new proposals regarding fuel quality at an upcoming meeting in May. Earlier this week, MPEC rejected a challenge to the associated ban on the carriage of high-sulfur fuels. For a ship without an approved SOx scrubber or another alternative arrangement, the sulfur content of any fuel oil carried for use on board will not be permitted to exceed 0.50 percent after March 1, 2020.

IMO Secretary General Kitack Lim has repeatedly insisted that the sulfur fuel rollout must go forward as planned, despite opposition from some shipowners over the price, availability, compatibility and quality of compliant fuels.

The 2020 sulfur rule is expected to roil the market for middle distillates as the world's fleet shifts to bunkering with new, blended low sulfur fuel oils. The change will increase competition for diesel, kerosene and jet fuel, driving up their price, while creating an oversupply of high sulfur fuel oil (and a potential HFO price collapse).

A growing number of shipowners are contracting to install scrubbers on their vessels in order to capitalize on the expected price spread between HFO and LSFO in the post-2020 market. Scrubbers may also convey an additional advantage for vessels in tramp trades. Low sulfur fuel oils are a new commodity, and it is still uncertain whether a batch accepted in one port may be chemically compatible with the next. If this fear proves accurate, and mutually-incompatible LSFO batches create new problems with sludge formation, the scrubber-equipped ships burning high sulfur HFO will sail on unaffected.

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REFERENCES:

- MEPC Sulphur Rule

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