

Ship Implementation Plans Undertaken ***This Year*** Will Impact 2020
Fuel Compliance And Regulatory Liability Issues ***Next Year***
*Will She Who Hesitates Be Lost?**

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2020 LOW SULFUR FUEL REQUIREMENT – WHAT WE KNOW

- Must use .5% fuel starting 1/1/20
- May not carry >.5% fuel after 1 March 2020
- US: fines up to \$37,500 per day of violation - civil
- Criminal fines and prison for “intentional” violations

LEVELING THE “LOW SULFUR PLAYING FIELD”

- Minimum fine = “economic benefit of noncompliance” using/carrying noncompliant fuel
- Economic Benefit =
 - Cost per metric ton of compliant fuel
 - Less cost of noncompliant fuel used
 - Multiplied by amount of noncompliant fuel used
- Gravity

LEVELING THE “LOW SULFUR PLAYING FIELD”

Table 3		
Actual Fuel Sulfur Content, % m/m ¹⁴	Penalty over duration of violation, first offense – Table 3 (\$)	
	Violation of 1.00% sulfur limit (U = MT of fuel burned while in the U.S. ECAs)	Violation of 0.10% sulfur limit (U = MT of fuel burned while in the U.S. ECAs)
3.5 or higher	\$400*U	\$750*U
3.0	\$350*U	\$700*U
2.5	\$300*U	\$650*U
2.0	\$250*U	\$600*U
1.5	\$200*U	\$550*U
1.25	\$150*U	\$500*U
1.10	\$100*U	\$450*U
1.00	N/A	\$400*U

<https://www.epa.gov/sites/production/files/2015-03/documents/marinepenaltpolicy.pdf>

FUEL OIL NON AVAILABILITY REPORTS (FONARS)

- NOT a 'get out of jail free' card.
- FONAR for .5% fuel \neq FONAR for .1% (ECA fuel).
- Why use FONAR?
 - Fuel not available
 - Fuel not compatible (safety reasons)

SHIP IMPLEMENTATION PLAN

- Important to Utilize *Before* 1 January 2020
- See US guidance on FONARS for Emission Control Areas:

<https://www.epa.gov/sites/production/files/documents/financialfuelavailabilityguidance-0626.pdf>

SHIP IMPLEMENTATION PLAN – RISK ASSESSMENT AND MITIGATION

- Did you evaluate fuel systems?
- Did you talk to engine manufacturer?
 - When? Where? What was the result?
- Did you modify storage system?
 - When planned? How?
- Did you properly plan to clean tanks?
 - When? Where? By whom?

DID YOU DOCUMENT THIS?

1 Risk assessment and mitigation plan

- 1.1 Risk assessment (impact of new fuels): YES/NO
- 1.2 Linked to onboard SMS YES/NO

2 Fuel oil system modifications and tank cleaning (if needed)

- 2.1 Schedule for meeting with manufacturers and/or classification societies:

- 2.2 Structural Modifications (installation of fuel oil systems/tankage) required:
YES/NO/NOT APPLICABLE

If YES, then:

- 2.2.1 Fuel oil storage system:

SHIP IMPLEMENTATION PLAN - COMPLIANT FUEL

- How did you plan to procure compliant fuel?
 - From whom? On what schedule?
- Did you require charterer to obtain fuel and what did you do to make sure it could get that fuel?
- Can you document bunker supplier confirming availability of compliant fuel?
- How did you plan to dispose of noncompliant fuel?

DID YOU DOCUMENT THIS?

4 Procurement of compliant fuel oil

4.1 Details of fuel purchasing procedure to source compliant fuels, including procedures in cases where compliant fuel oil is not readily available:

4.2 Estimated date for bunkering compliant fuel oil, not later than 24:00hrs 31 December 2019:

SHIP IMPLEMENTATION PLAN COMPLIANT FUEL (PART 2)

- What are the details of each ship's fuel changeover plan?
- How much time needed for each?
- Are there plans for using up non-compliant fuel?
- Are there plans for each combustion unit?
- How are you training Master and Chief Engineer on FONARS?

DID YOU DOCUMENT THIS?

6 Documentation and reporting

- 6.1 If there are modifications planned as per section 2, related documents including the shipboard fuel oil tank management plans and stability and trim booklets should be consequently updated.
- 6.2 The implementation plan could be kept on board and updated as applicable.
- 6.3 If when following the implementation plan the ship has to bunker and use non-compliant fuel oil due to unavailability of compliant fuel oil safe for use on board the ship, steps to limit the impact of using non-compliant fuel oil could be:



- 6.4 The ship should have a procedure for Fuel Oil Non-Availability Reporting (FONAR). The master and chief engineer should be conversant about when and how FONAR should be used and who it should be reported to.

WHAT DON'T WE KNOW

1. After March , what happens if fuel is unavailable in Port A but is available in Port B?
 - Proposal from Brazil and UAE - MEPC 74/5/19
2. How pragmatic and practical will Port and Flag State enforcers be?
3. When will the US make it legal to sell .5 % fuel?
 - See 40 CFR §80.2(nnn) and 40 CFR §80.510(k).
4. How will US investigate?
 - Bunker Delivery Notes vs. On-Board testing
5. How aggressive will enforcement be?
 - 3000 FONARS filed 2013-2018
6. Who will enforce: Port or Flag State: Jurisdictional issues
 - *Abrogar*/using vs carriage of fuel/coordination with flag state/FONAR submissions.

RESOURCES

- <http://www.imo.org/en/OurWork/Environment/PollutionPrevention/Documents/MEPC.1-Circ.878.pdf>
 - <http://www.imo.org/en/MediaCentre/MeetingSummaries/PPR/Pages/ISWG-AP-1.aspx>
 - <http://www.klgates.com/2020-global-low-sulfur-fuel-12-05-2018/>
 - <http://www.klgates.com/2020-vision-for-the-2020-global-low-sulfur-requirement-for-the-shipping-industry-08-31-2018/>
 - <http://www.klgates.com/do-you-clearly-see-whats-coming-07-06-2018/>
 - <https://www.epa.gov/sites/production/files/2015-03/documents/marinepenaltypolicy.pdf>
 - <https://www.epa.gov/sites/production/files/documents/finalfuelavailabilityguidance-0626.pdf>
- * Joseph Addison, *Cato* (1712); Act IV, Scene I: “The woman that deliberates is lost.”

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