

Scrubber demand could surge on 2020 global sulfur cap: association

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Scrubbers could see a tenfold demand surge and be installed on as many as 3,000 to 5,000 ships annually should the 0.5% global sulfur cap mandate come into force in 2020, according to Don Gregory, director of the Exhaust Gas Cleaning Systems Association (EGCSA).

Gregory's comments come ahead of a key decision by a committee of the International Maritime Organization (IMO), which will meet in London early next week. The bunker industry widely expects the committee to push ahead with cutting the sulphur limit from 3.5% to 0.5% in 2020 rather than defer it to 2025.

Scrubbers, designed to wash exhaust gases from main and auxiliary boilers to remove sulfur dioxide, a gas that is detrimental to human health as well as the environment. The uptake of scrubbers among shipowners is significant because it will determine how much fuel oil demand remains, a key issue for refiners to determine their fuel mix and production strategies.

"When the global cap is announced we expect to see a significant interest in scrubbers," Gregory told S&P Global Platts in an email interview late Thursday. "If the decision is 2020 then we expect very significant interest."

Right now scrubbers are installed typically in those pockets of the marine industry where public visibility is very high and regulation is enforced -- mostly on ferries, cruise ships or some new builds -- vessels that operate in areas where use of heavy fuel oil is banned or have been marked as emission control areas (ECAs).

Some industry estimates point to as many as 70% of ships in the cruise industry having scrubbers installed by the end of the year.

The industry suffers from excess capacity as the adoption of scrubbers by large consumers of fuel has been limited, Gregory said. However, the uptake by shipowners with large vessels including tankers, box ships and bulk carriers will pick up as a switch to distillate fuels will be economically unsustainable after the global sulfur cap is imposed, he said.

ECONOMICS, BENEFITS OF SCRUBBERS

The main impediment to adoption of scrubbers is the capital investment in the absence of financial benefit while awaiting regulations limiting sulfur emissions to be implemented.

Depending on the size of the vessel, it can cost as much as a few million dollars to install a scrubber. Low fuel prices have also enabled ships to enter and exit ECAs with relatively modest additional fuel costs.

However, a global cap will change the economics of using scrubbers, Gregory said.

The 0.5% global cap ought to drive a price difference of at least \$100/mt compared to HSFO, Gregory said. At that level of price difference even an Aframax bulk carrier operating on slow steaming would be likely to have a payback on a scrubber within three years, Gregory said.

Besides the cost, operational glitches have also limited the use of scrubbers.

As with all technology onboard ships, it is not simply a matter of supplying a unit and plugging it in, Gregory said. There is the whole purchase process, then there is ship specific installation design and class approvals, then the fabrication and ordering of ancillaries, the installation and commissioning and finally the overall approval for operation, he said.

The industry is geared up as much as it can be but inevitably there will be bottlenecks to deal with, Gregory said.

However, the advantages of using scrubbers are numerous and their adoption is vital in the new sulfur cap regime, said Gregory.

Using them would mean there is no need to switch fuels, no risk of fuel problems related to 0.5% sulfur blended fuels, significantly lower operating costs and greater choice of fuels, he said, citing some of the benefits.

UK-based EGCSA was established to help create a sustainable operating environment within the marine and energy industry sectors for exhaust gas cleaning system technologies, providing clarity and a rational voice for those companies interested in reducing marine exhaust gas emissions.

Surabhi Sahu, 21st October 2016 15:59 GMT

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