2020 VISION
COMMERCIAL AND CHARTERPARTY ISSUES

February 13th 2019

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Director (Americas), North P&I Club
A BRIEF HISTORY OF NORTH

1860
North Origins
(Founded on the Quayside)

1995
Hong Kong

1998
Newcastle P&I Merger

2000
Greece
Liverpool & London P&I Merger

2007
Singapore

2012
Japan

2014
Sunderland Marine Merger

2016
China

2018
USA
OUR GLOBAL FOOTPRINT:
NORTH GROUP OFFICES & SUBSIDIARIES

*Sunderland Marine branch offices and subsidiaries are located in Australia, Canada, the Netherlands and New Zealand.
IMO GLOBAL SULPHUR CAP

- MARPOL Annex VI (Regs. 14 and 18)
- DEFINITELY (!) 1 JANUARY 2020
- 0.5% max Sulphur content in fuel (or equivalent measures)
- 0.1% max Sulphur limit came into force in MARPOL ECAs in 2015
- Prohibition on carrying non-compliant fuel from 1 March 2020

IS THIS THE END GAME?
Shipowners must be ready for 1 January 2020 – there is no phased introduction.

**METHODS OF COMPLIANCE:**

1. Burn compliant distillate fuels
2. Burn compliant ‘hybrid’ or blended fuels
3. Continue burning high sulphur residuals but install an exhaust gas cleaning system (EGCS) – ‘scrubber’
4. Burn LNG
5. Use alternative fuels or energy sources

**WHICH ONE IS THE RIGHT CHOICE?**
COMMERCIAL/CONTRACT ISSUES

EXPECTED CONSEQUENCES

- Quality issues
- Increase in bunker quality issues
- Bunker price changes
- Fuel availability issues
- Limits on vessel trade options
- More operational issues
- More costs
- Disputes
WILL CHARTERPARTY TERMINOLOGY NEED TO CHANGE?
**CURRENT**
- LSFO = below 0.1% fuel (ECAs)
- HSFO = 0.1% – 3.5% fuel (Global cap)

**POST-2020**
- Max 0.1% fuel (ECAs)
- Max 0.5% (everywhere else)
- Above 0.5% (vessels with scrubbers)
- LSFO = ?
- HSFO = ?
WILL CHARTERPARTY CLAUSES NEED TO BE CHANGED?
VARIETY OF C/P PROVISIONS:

- Same quantities and prices both ends
- BOR prices as price actually paid on a “first in, first out” basis
- Prices both ends as per Platts
- Prices both ends as per last invoice
BOR CALCULATION EXAMPLE

- Vessel delivered with **620 MT** HSFO at **US$ 460 PMT**
- Same quantities and prices both ends
- Redelivery bunker credit to charterers:

  **620 MT** x **US$ 460** = **US$ 285,200**

**BUT WHAT WILL BE “HSFO” POST-2020?**
# BOD AND BOR CLAUSES - QUANTITIES AND PRICES

## Same Quantities and Prices Both Ends

<table>
<thead>
<tr>
<th>C/P BOR Quantities</th>
<th>C/P BOR Prices US$</th>
<th>(A) C/P BOR Cost US$</th>
<th>(B) Projected Cost Max 0.5% FO at US$ 600PMT</th>
<th>(C) Projected Cost Max 3.5% FO at US$ 300PMT</th>
<th>Difference Between (A) and (B) US$</th>
<th>Difference Between (A) and (C) US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFO 620MT</td>
<td>460</td>
<td>285,200</td>
<td>372,000</td>
<td>186,000</td>
<td>86,800 more</td>
<td>99,200 less</td>
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BUNKER QUALITY CLAUSES

SPECIFICATIONS:
- ISO 8217 STANDARD
- WIDER SCOPE E.G. SAFE AND SUITABLE
- MARPOL ANNEX VI COMPLIANT
- SULPHUR CONTENT

PARTIES’ OBLIGATIONS:
- DELAYS
- MARPOL BREACHES
- OFF-SPEC FUEL
OTHER CLAUSES TO REVIEW

- Performance warranties
- Trading clause
- Bunker tank and system cleaning requirements and responsibilities
- Waste removal
- Dry dock entitlement
- Scrubber
- Transfer to compliant fuel
KEY POINTS

- No single magic clause
- c/p requirements depend on:
  - Method of compliance
  - Vessel type and trade
- Ongoing review process
- Importance of looking ahead now
- Role for commercial co-operation
- Close co-operation between technical and chartering departments
2020 VISION: HELPING OUR MEMBERS

1. North Seminars and webinars
2. 2020 Vision Insights area of North website
3. 2020 Vision: Overview brochure
5. New loss prevention guide “Marine Fuels – Preventing Claims and disputes”
6. LP team assisting with technical queries
7. FD&D team assisting with charterparty queries and clauses

www.nepia.com/2020-vision