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## **IMO2020 Global sulphur cut: German shipping to use new type of fuel VDR survey: Technical issues and costs are the biggest challenges**

The vast majority of ships in the German fleet will run on the new sulphur-reduced fuel (Low Sulphur Fuel Oil, LSFO) from 1 January at the latest. This is one of the findings of a survey conducted by the German Shipowners' Association (Verband Deutscher Reeder, VDR) among its member companies. While the body of data obtained through the survey is not representative of the German shipping industry as a whole, it does reflect views that can certainly be extrapolated since the respondents include shipping companies from every sector of the German shipping industry.

The survey was conducted against the backdrop of one of the biggest changes occurring in the shipping sector, a change that will take effect just over a month from now: following a decision by the International Maritime Organisation (IMO), a subsidiary organisation of the United Nations, ships around the world may only use fuel with a sulphur content of no more than 0.5 per cent. The standard currently in force sets the maximum limit for the sulphur content in maritime fuels at 3.5 per cent.

There are essentially three options available to shipping companies during the changeover. According to the survey, 81 per cent of the companies surveyed will be using LSFO with a sulphur content of 0.5% in the future. Eleven per cent will continue to use Heavy Fuel Oil (HFO). This is expressly permitted under the IMO rules, provided that exhaust gas purification systems, so-called scrubbers, are installed on the ships. Six per cent of respondents indicated that they will be using other fuels, such as those prescribed already since 2015 for Emission Control Areas in the North Sea and the Baltic Sea – fuels with an even lower sulphur content of 0.1 per cent. Two per cent of the ships in the German fleet will already be operated using LNG after 2020, according to the survey. "Germany's maritime industry has carefully prepared for this enormous change. It ushers in a new era in maritime shipping, signalling the end of heavy fuel oil. We support this change and are implementing it – and in doing so, we are making an impressive contribution to long-term environmental protection," said Ralf Nagel, CEO of the VDR.

The greatest challenge looming as part of the changeover according to the companies surveyed will be technical problems encountered during operations in the future, as well as the cost of the new fuel, and the issue of cost compensation by third parties, in particular customers. German shipping companies are also concerned about the question of



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availability. “There are many who fear that the new fuels could cause technical problems during operation – problems that could also have financial consequences,” said Nagel: “We therefore call on all stakeholders to be as committed and flexible as possible in preparing for the changeover, to ensure that it will become a success story.”

According to the survey, the one-off investment expenditure for companies in the lead-up to the changeover averaged € 7.5 million per shipping company. Ralf Nagel: “Considering that more than two thirds of the shipping companies in Germany are medium-sized and operate fewer than ten ships, we realise just how great the financial effort was that the individual companies had to make in preparing for the changeover.”

Moreover, the additional annual costs now facing companies would make IMO2020 probably the most elaborate regulatory measure ever implemented by the shipping industry. “Companies are particularly concerned about the fact that they will have to bear considerable additional costs in their ongoing operations in the future, and that possible compensation for these added costs by third parties, in particular customers, may not work as envisaged.”

“Of enormous importance for us is the fact that this is a worldwide regulation, one that everybody is compelled to implement. This demonstrates that the IMO is a body that is capable of taking effective action to regulate shipping worldwide. The IMO should therefore play the key role when it comes to climate protection as well. In contrast, separate regional solutions, for example in the EU, should be avoided. Their effect would be to distort competition, and ultimately they would not have a sustainable impact on the climate,” said Ralf Nagel.

With regard to the new sulphur regulation, the VDR called for effective controls by the respective port states. Nagel: “We will be relying on worldwide controls to monitor the implementation of the new regulation, so that no one can gain a prohibited competitive advantage. At the same time, however, we are confident that the flag states and also the customers of the shipping companies have a great interest in ensuring that the new rules are actually complied with.”

#### **About the German Shipowners' Association**

The German Shipowners' Association (*Verband Deutscher Reeder, VDR*) is responsible for representing the common business and social policy interests of German shipping companies at federal and state government level as well as in relation to European and international bodies. The VDR was established in 1907, and in 1994 it merged with the Association of German Coastal Shipowners. With a membership of around 200, the VDR represents the majority of Germany's merchant fleet. Further particulars are available at [www.reederverband.de](http://www.reederverband.de).

Printable photographs of Ralf Nagel:

<https://www.reederverband.de/presse/pressefotos.html>

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