

Hong Kong: Poor air quality impels wider low-sulphur usage

The quality of air in Hong Kong has deteriorated to levels that have triggered concerns from local shipping industry players to advocate a wider use of low-sulphur fuel oil (LSFO) in the port.

Richard Rawlinson, who sits on the technical sub-committee of the Hong Kong Shipowners Association (HHSA), has reiterated the unsafe level of air pollution in Hong Kong, especially in the Pearl River Delta region, and recognises the importance of burning LSFO.

According to the Environmental Protection Department (EPD), Hong Kong has been facing two main air pollution issues. One is local street-level pollution and the second is the regional smog problem. Smog is caused by a combination of pollutants from motor vehicles, industry and power plants both in Hong Kong and in the Pearl River Delta region.

Power plants are the major source of air pollution in Hong Kong, accounting for 92% of sulphur dioxide (SO₂) and 49% of nitrogen oxide (NO_x) emissions in 2004. Emissions from vessels were smaller, accounting for 4% of SO₂ and 17% of NO_x in the same year.

In 2004, power plants emitted 87,500 tonnes of SO₂ and 44,900 tonnes of NO_x, while vessels emitted 3,750 tonnes of SO₂ and 15,800 tonnes of NO_x, data from EPD showed. The tonnage of pollutants being emitted has prompted the Hong Kong government to take even the emissions of

vessels seriously, the EPD told *Bunkerworld*.

Statistics for 2005 were unavailable from EPD at the time of publication.

In an effort to combat air pollution, the Hong Kong and Guangdong governments

going to happen and to recognise the fact that there's a requirement to improve and do something about the pollution," Rawlinson told *Bunkerworld*.

Arthur Bowring, managing director of HKSA, had earlier commented on the pos-

LSFO was expressed by Rawlinson, who is also the general manager of newbuildings at Pacific Basin Agencies.

There has not been any study conducted to assess the impact of pollutants resulting from converting ordinary fuel oil to LSFO in refineries, as against pollutants arising from the burning of high-sulphur fuel, he highlighted.

He understands that producing LSFO requires intensive energy input in terms of high temperatures, which might generate pollutants one way or another, and the environmental impact of producing huge volumes of LSFO remains to be seen.

In Hong Kong, procuring LSFO is more of an issue for shipowners rather than the costs of purchasing the low-sulphur product, he said. "They [refineries] recognise the need to produce low-sulphur fuel for ships into SECA, but the real problem is whether they can actually produce more to meet demand," he said.

The low-sulphur market in Hong Kong, nevertheless, has yet to take flight as local suppliers and traders noticed very little demand for the product."

A lot of refineries or barge companies seem not keen on selling (LSFO)," a local bunker trader said. "Oil terminals cannot guarantee the quality, so shipowners or charterers have not been asking (for LSFO)."



Hong Kong to fight port pollution

have agreed to reduce emissions of SO₂, NO_x, respirable suspended particulates (RSP) and volatile organic compounds (VOC) by 40%, 20%, 55% and 55% respectively by the year 2010, starting from 1997 emissions onwards.

"Basically we're interested in what is

sibility of limiting sulphur content in marine fuel to 1% worldwide, as against the MARPOL Annex VI limit of 1.5% in Sulphur Emission Control Areas (SECAs).

While burning LSFO could reduce the amount of sulphur pollutants into the air, nonetheless, equal concern on producing

Monopoly supplier faces new competition

China's bunker market has taken another step towards reform, although the changes have still not opened the market to foreign players.

China's State Council, or Cabinet, has approved four domestic companies as suppliers of bunker fuel to international shipping, a move that could end the virtual monopoly enjoyed by Chimbusco.

The development means there are no longer any sectors of China's downstream oil markets that are under the exclusive control of a state-owned company.

The companies to be allowed to sell untaxed bunker product include China Shipping and Sinopec Suppliers, which has already been playing a role in supplying fuel to the tanker fleet of the state-owned refiner Sinopec. The others are China Yangtze Fuel Oil Corp., the Shenzhen-based BrightWay Group and the Zhoushan unit of Sinopec Group.

China's bunker market is small compared to the number of vessels calling at its ports. State-run Chimbusco has around 95% of the market and sold just over 2.7 million metric tonnes (mt) of bunker fuel to international shipping in 2005. Prices are well above the regional benchmarks both in Singapore and South Korea.

Foreign bunker companies have shown a keen interest in establishing a presence in the Chinese market, if only because of the potential rewards, but Chimbusco has appeared reluctant to weaken its hold on the market.

Even with the latest reforms, Chimbusco will still own most of the storage facilities in the best locations.

It is not clear if China feels its agreement with the World Trade Organisation (WTO) obliges it to open its bunker sector to foreign competition.

Bunkering facilities set to compete with global markets

Privately-owned port Gujarat Adani Port Ltd has been renamed as Mundra Port and Special Economic Zone Ltd, a move indicating its free-port status.

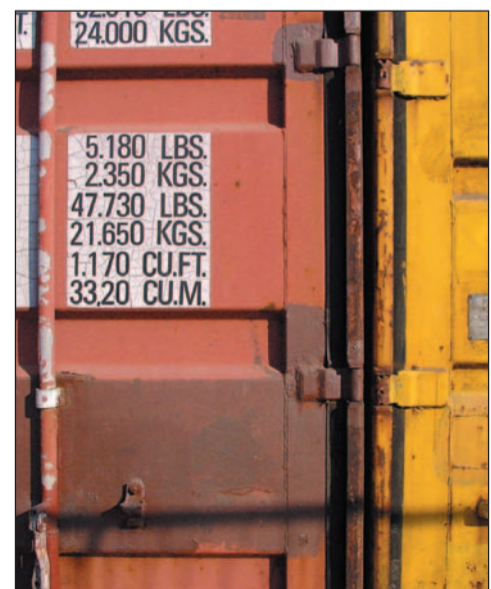
It is the first port-based Special Economic Zone (SEZ) in India, according to the company's chief executive officer Capt. Sandeep Mehta.T

The SEZ status will allow Mundra to offer "bunkering facilities at international price" to vessels calling at the port, reports said, presumably referring to the ability to sell duty free bunkers to international customers.

Traditionally, Indian bunker prices are prohibitively high compared to other regional Asian markets, leading to muted activity in the Indian bunker market as buyers avoid stemming their bunker fuel requirements in the country.

The designation of Mundra as a SEZ would mean that local suppliers will be in a position to offer bunkers at more attractive prices as the SEZ exempts the sale of bunkers from all taxes and duties.

The benefits of selling tax-free bunkers could eventually encourage the Indian government to apply a similar economic status in other Indian ports, allowing them



New container terminals by 2007

to become competitive with other ports worldwide.

In other developments at Mundra Port, four multi-purpose berths are being added this year and two container terminals will be operational by mid-2007, it was reported last month.

If you have information or comments to make on Bunkerworld's coverage in the Asia region, please contact our Asia Editor: Lee Hong Liang (tel: +65 6324 0920, hong@bunkerworld.com). If you are interested in subscribing to Bunkerworld's online services from Asia and Australasia or marketing your company through Bunkerworld, contact: Oleg Micevic (tel: +65 6324 0920, oleg.micevic@bunkerworld.com).