

Ahead of the pack

Wallenius Wilhelmsen Logistics has implemented environmental policies for its global car carrier fleet above and beyond both regulatory and customer demands, at considerable extra cost. The firm's executives have nevertheless expressed reservations about some of the proposed ways of dealing with shipping emissions. Unni Einemo reports.

Scandinavian countries have earned a reputation for being keen on promoting sound environmental policies, so it seems befitting that one of its leading shipping companies has become known as a 'green champion' in the maritime industry.

Wallenius Wilhelmsen Logistics (WWL) was formed in 1999 from the merger of the operating activities of Wallenius Lines of Sweden with Wilh. Wilhelmsen Lines of Norway.

These two companies believed in 'doing their bit' for the environment, and the original WWL shareholder agreement rather unusually included clauses on minimising the firm's environmental impact.

WWL's combined shipping fleet, mainly car-carriers, consumes around 1 million tonnes of bunkers annually, and one of its first environmental decisions was to reduce the sulphur content of the fuels used to 1.5%, well below the global average for bunker fuels of nearly 3% sulphur.

This goal was reached by the end of 2004 and in 2007 WWL achieved a global

bunker fuel sulphur average of just 1.3% across its shipping fleet.

The self-imposed environmental policy was implemented well ahead of International Maritime Organization (IMO) regulations restricting sulphur content in bunker fuel to 4.5% globally and to 1.5% in designated sulphur control areas (SECAs) in Europe.

Arild B. Iversen, President and CEO of WWL, told a press gathering in London in February that slow regulatory progress so far at the IMO meant the company had chosen to "set its own standards" on lowering sulphur emissions.

But he stressed that WWL was a strong supporter of a global regulatory regime for shipping emissions via the IMO, rather than a fragmented regional and local regulations that are difficult and complex for ship operators to observe.

He said WWL wanted global regulations on ship emissions "as soon as possible and as strict as possible."

Talking about WWL's low-sulphur fuel

oil (LSFO) bunkering policy, Iversen said: "People say it is difficult and it is." But he said it was possible for those willing to spend the money, time and other resources required to do it.

Passion and willingness

Per Heggenes, Head of Corporate Affairs at WWL, said it was partly about having the passion for the environment and partly about being willing to spend the money.

He estimated that WWL has spent around \$30 million extra per year to burn LSFO across its fleet compared to standard high-sulphur fuel oil (HSFO) bunkers.

This will to pay extra for the benefit of the environment has set WWL apart from most shipping companies, as well as its own customers.

Although growing environmental awareness means many firms today are examining ways to ensure better practices, few seem willing to make changes if it means higher business costs.

A case in point is WWL's customers;

only about 10% of shippers have been asking about environmental credentials when they look to book car carriers.

One of them is Land Rover and Jaguar, which is actively pursuing new low-emission and fuel efficiency technologies for its cars.

Kevin Wall, director of logistics at Land Rover and Jaguar, told the February press gathering that the company also uses 'best practice' in its freight and logistics solutions as it seeks ways to reduce its carbon footprint.

In the UK, the company has painstakingly moved as much of its freight as possible off the road and onto rail to cut emissions, something Wall said had been "very difficult" as there were no readily available logistics to do so.

The Land Rover and Jaguar company is also pursuing maritime transport solutions where possible and avoiding air freight to reduce its carbon emissions.

Tellingly, however, Wall admitted that the car maker "wouldn't do anything to

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BALTIC REVIEW



\$30 million on low-sulphur fuel across the WWL fleet.

significantly add cost," meaning its move from road to rail, while difficult, has not meant higher distribution costs for the company.

Companies like WWL may have a competitive advantage among customers seeking more environmentally friendly logistics solutions, but few - it seems - would be willing to pay more for their cleaner conscience.

No takers for slower cargo

In the course of 2007, huge rises in bunker costs combined with an increasing focus on shipping emissions has seen slower steaming gain growing support as a way of addressing both.

Ships can achieve huge reductions in fuel consumption by slowing down, especially the growing fleet of large container ships plying the seas.

For car carriers, however, slowing down is rarely an option due to the nature of their client's demands. Iversen explained that its ships could have 1,500 bills of lading where a bulk carrier would have just one, and would be bound by sailing and arrival times "almost to the hour" to pick up or deliver cars.

Moreover, he pointed out that car carriers are not "fuel guzzlers" like container ships, hence the positive effect of slowing down would be less pronounced.

The company has in fact offered customers a 'slow cargo' service, whereby the customer would accept paying extra for more environmentally friendly transport. To date, there has not been any takers.

Instead of slower sailing speeds, Iversen said WWL has focused on fully utilising its ships, using bigger ships to reduce emissions per transport unit, and save fuel by using weather routing systems.

In a plea to customers, Iversen said it would help if they could give WWL more flexibility in loading times - within reason - as it would help it to maximise 'smart' sailing that can save on fuel.

What's more, 23 new vessels being

introduced into the WWL fleet are 15% more fuel efficient than the earlier generation ships. Its newbuilds also boast other emission-cleaning technologies.

Reservations about distillates

The IMO is due to decide on a revision of MARPOL Annex VI during 2008, the international convention that governs emissions to air from ships. It will, among other things, provide a new global standard for sulphur emissions.

Among the three proposals going forward to the IMO's key Marine Environment Protection Committee (MEPC) at the start of April is one with such stringent global sulphur reduction targets that they would most likely be met by using distillate fuel or exhaust gas scrubbing technology.

Perhaps surprisingly, WWL executives - while undoubtedly advocates of stricter global regulations - have expressed deep reservations about both.

WWL has quite recently tested using

elsewhere".

If there was to be a mandatory global switch away from residual fuels for ships, Iversen expressed concern about the practicality and the environmental impact of producing the required extra distillates.

"What will we do with over 200 million tonnes of residual fuel that nobody else wants to use," he wondered, and also asked where all the extra distillates were supposed to come from.

Refineries would have to process more crude oil, thus increasing their carbon dioxide (CO₂) output.

"Is this the right priority?" Iversen asked.

Remove the sulphur first

Iversen suggested instead that refineries should desulphurise fuel oil to produce more LSFO for ships, pointing out that the company was now getting bunker fuel from Shell with an average sulphur content of just 1.05%.

The refining industry has argued, however, that desulphurisation of HSFO is

aged to be brave enough to intervene and divert LSFO currently used in power generation on land to the maritime market.

Stricter environmental regulations on land means that power stations tend to use LSFO, leaving the marine fuels industry as the world's key outlet for the refining industry's residual stream of HSFO.

Iversen suggested that it would be much easier to fit sulphur scrubbing equipment on large land power installations than on ships.

WWL's Heggnes also told Bunkerworld that it was the company's long term goal to use only low-sulphur fuels on ships, rather than rely on incorporating scrubbing technology onboard vessels.

This did not stop its sister concern Wilhelmsen Maritime Services (WMS) from signing a distribution agreement with BP subsidiary Krystallon to sell their scrubber system in October 2007.

The subsidiary of the maritime industry group Wilh. Wilhelmsen said it would sell and support Krystallon's scrubbing system through the WMS global network.

Iversen said scrubbers could help shipping companies meet stricter sulphur regulations, but said WWS did not consider it the most effective solution.

"We think sulphur should be removed where it is most cost efficient," he told Bunkerworld. "Is that really by installing scrubbers on 40,000 ships? We don't think so," he concluded.

Funding the future

Apart from its voluntary extra spend on more expensive low sulphur fuels across its global fleet, WWL is also involved in research and development for future environmental solutions.

The company has launched a fund named after its ground-breaking concept ship *Orcelle*. This 'ship of the future' would be powered by the sun, wind and waves, use no fossil fuels and release no harmful emissions into the sea or air.

The *Orcelle* Fund will be used to provide seed capital for suitable projects.

Iversen said it would not shy away from supporting high risk projects that might have difficulty in securing start-up capital elsewhere.

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marine diesel oil (MDO) for the main engine on one of its ship over a 2-year period.

Iversen told Bunkerworld that apart from the obvious low sulphur advantage, the company had also wanted to check operational aspects and energy output of MDO compared to fuel oil.

Although MDO had a better energy output and some operational advantages, Iversen said that the extra money paid for MDO compared to LSFO was "better spent

energy intensive and expensive and unlikely to be financially attractive unless LSFO premiums increase dramatically.

Refineries would ultimately be more likely to invest in more so-called deep conversion technology, which uses fuel oil as feedstock to make lighter products such as diesel, though this is also expensive, energy intensive and would take several years.

Faced with this argument, Iversen suggested that politicians should be encour-

"If just one in 10 [projects] work out it will be worth it," he said.

The money used for the *Orcelle* Fund came from WWL's 2007 Thor Heyerdahl International Maritime Environmental Award and the company said it would work on increasing the size of the fund from the initial \$100,000.

It might a modest sum, but it nevertheless seems to form part of the WWL ethos for trying to make a difference and investing in the future. ■