

## AIR POLLUTION PREVENTION

### Industry desire for implementation of bunker licensing

#### Submitted by BIMCO and IBIA

#### SUMMARY

*Executive summary:* This document shares the results of an industry survey carried out by IBIA and BIMCO. The survey identified broad support among maritime industry stakeholders for adoption of bunker licensing schemes and mass flow metering systems to improve transparency and market conditions

*Strategic direction, if applicable:* 3

*Output:* 3.2

*Action to be taken:* Paragraph 14

*Related documents:* MEPC.1/Circ.884/Rev.1

#### Introduction

1 The International Bunker Industry Association (IBIA), with support from BIMCO, ran an extensive online survey during February and March 2022 about maritime industry stakeholders' experiences, and their opinions about bunker licensing programmes and adoption of mass flow metering systems (MFMs). The survey questions were drafted by the IBIA Bunker Licensing & MFM Working Group, which BIMCO takes part in. Data resulting from the survey were examined in detail by the group.

2 The outcome showed broad industry support for bunker licensing and use of properly certified MFMs as tools to build transparency and trust in the bunker sector, improve market conditions and help build a level playing field for quality operators.

#### Survey participant profile

3 A total of 189 respondents completed the survey. Just over 32.5% identified as shipowner/manager/charterer/operator, grouped together in the chart (Figure 1) as "Bunker buyers". Bunker trader or broker was the biggest respondent group at 35%, and a bit more than 18.5% identified as physical supplier/barge owner. The remaining respondents, grouped as "Others" in the chart, were split in order of magnitude between "other", "inspection company/surveyor", "agent", "port authority" and "insurance".

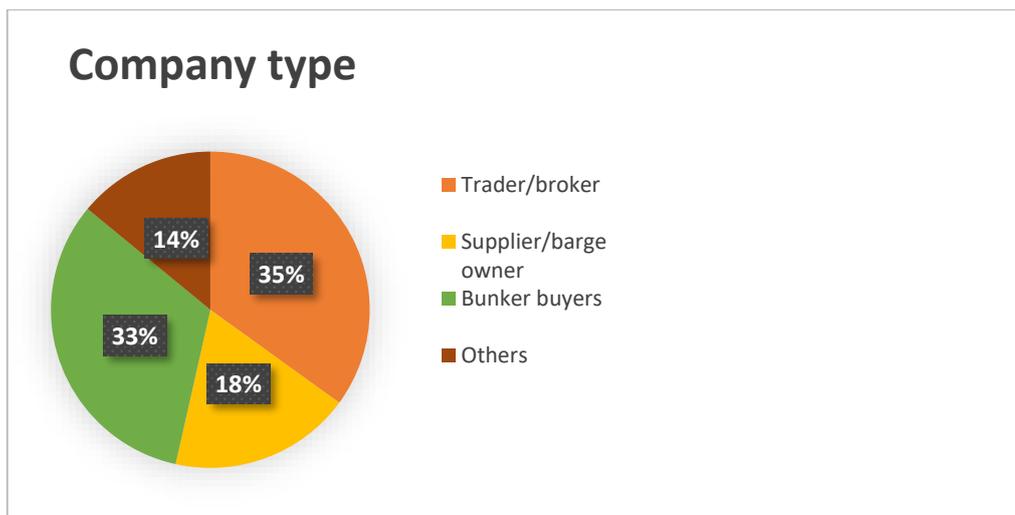


Figure 1: Company type

**Quality and quantity disputes**

4 Respondents reported quantity disputes associated with 1.61% of deliveries, compared to 0.98% disputes relating to fuel quality. The average cost of disputes, however, was higher for quality disputes at \$54,009 versus \$27,790 associated with quantity disputes.

5 Disputes were for the most part settled commercially: 69% of quantity and 53% of quality disputes. Nearly a third of quality cases ended up as legal claims versus less than 10% of quantity cases. The remainder were recorded as "reported to authorities", "other" or N/A.

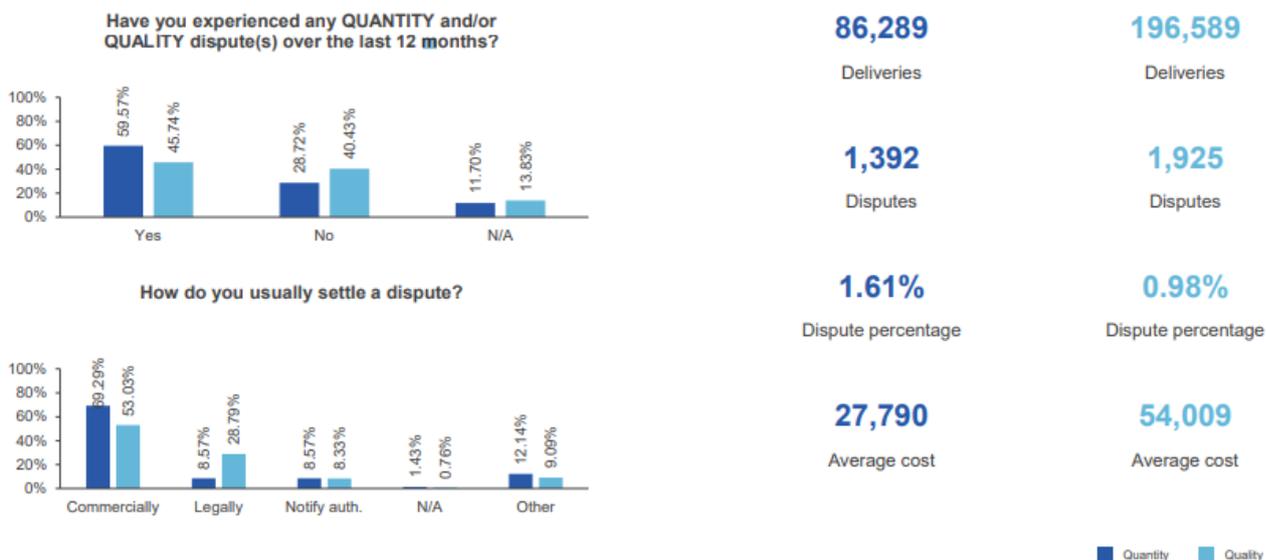


Figure 2: Quality and quantity disputes

## Views on bunker licencing and MFMs

6 Most disputes were reported in the biggest bunkering hubs, which is to be expected given this is where most deliveries take place. This suggests that major bunkering hubs is where bunker licencing and mandatory MFMs would be most beneficial. Indeed, looking at the example of Singapore, 74.5% of respondents believe that the introduction of a Bunker Licensing Programme has had a positive impact on bunkering in the port, and 76.1% agreed that Singapore introducing mandatory use of Mass Flow Metering systems (MFMs) had been beneficial, with the latter leading to a significant decrease in the number of quantity claims.

7 There were mixed views on how effective bunker licencing would be to reduce quality and quantity disputes: 62% expected a decrease in quantity disputes while 48% said they anticipated a decrease in quality disputes. Nevertheless, 81% of those answering this particular question said they would prefer to bunker in a port that has a bunker licencing programme.

8 For MFM, the responses were much more uniform: 84% said they believe it would cut quantity disputes, 94% would prefer to bunker from a supplier that has MFM installed, and 80% would accept the supplier's quantity figures if the barge has a certified MFM.



**Figure 3: Average scores on supporting bunker licensing and mass flow meter**

### Impact on bunker prices

9 Respondents were asked if they thought bunker licencing and mandatory use of MFM would have an impact on bunker prices in a port. Close to half (48.9%) thought introducing an effective bunker licencing programme would cause prices to increase, the rest expected no impact or were unsure with a small share (2.66%) expecting prices might decrease. For ports introducing mandatory MFMs, 59.6% believed it would cause an increase in bunker prices.

### Conclusions flowing from the data

10 In connecting the data, there is clear support towards building further transparency and compliance within the shipping and bunkering industry through implementation of effective bunker licencing programmes and mandatory use of certified MFMs for bunker deliveries, despite underlying expectations of increased bunker premiums. More than 4 out of 5 respondents prefer ports having bunker licencing, and more than 9 out of 10 respondents prefer taking bunkers from suppliers using certified mass flow meters.

11 Singapore, the only port to have mandated MFMs as part of its bunker licencing programme, still sees some quality and quantity disputes, but there is no doubt that its licensing scheme has improved its reputation as a bunkering port, and that mandatory MFMs has reduced quantity claims. Notably, the Maritime and Port Authority of Singapore spends time and resources to monitor compliance with the terms of its bunker licensing scheme. Proper enforcement is an important element in ensuring that the port's bunker licensing programme is effective in rooting out malpractice.

12 Effective bunker licensing programmes, and properly certified and used MFMs, can build transparency and trust in the bunker sector, improve market conditions and help build a level playing field for quality operators. The survey findings show this is what the industry wants.

13 Further detail from the survey is available from this link:  
<https://ibia.net/wp-content/uploads/2022/07/IBIA-BIMCO-BL-MFM-Survey-Analysis.pdf>

#### **Action requested of the Committee**

14 The Committee is invited to note the findings of the survey.

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