

To all clients and business partners of SAL

09th July 2019

IMO LOW SULPHUR REGULATION – 1ST JANUARY 2020

Implications of and response to new fuel regulations in the shipping industry

Dear Shipper / Valued Client,

On 1st January 2020 all of us involved in the shipping industry will be part of the biggest single change ever to confront us – the introduction of IMO 2020 - The Sulphur Cap. The aim of this new regulation is to reduce the amount of Sulphur oxide (SOx) released into the atmosphere which will bring health benefits to all of us.

All ships in the world are affected, no matter the ship type, and all Carriers will have to comply.

So, what are the choices?

To meet the SOx cap Carriers - outside of the already established ECA areas - have 2 options:

1. Use a low Sulphur fuel containing max 0.5% Sulphur – MGO / LSFO / ULSFO
2. Install a scrubber on board washing out the Sulphur content but allowing continuing use of high Sulphur HFO

How do we evaluate the choices?

Scrubbers are expensive but enable the Carrier to continue using HFO just as they always have. But, scrubbers – as well as requiring additional energy to operate them - produce a physical toxic by-product that must be collected on board and then disposed of either at sea or at a cost, in port. Disposing at sea simply shifts the polluting chemicals from the air to the sea. Disposal on land could mean either burning it or landfill. Either way, the benefits of on-board SOx reductions are quickly offset by the production of another more concentrated pollutant.

Consuming low Sulphur fuel is more expensive than HFO, but emissions are immediately compliant and there is no toxic by-product.

So, what will be SAL's response?

At SAL, we have been considering both options very carefully. The Scrubber option may offer you - the Shipper - a short term commercial benefit but will do little to reduce pollution and waste. Low Sulphur fuels will be more expensive but will also more readily fulfil the objective of lowering our impact on the environment.

This is why at SAL we have decided to adopt the low Sulphur fuel option and will start the transition process from 1st October 2019 in order that by 1st Jan 2020 all our ships will be fully compliant.

We thank you for your understanding and cooperation and we look forward to building a sustainable future together.

With kind regards,

A handwritten signature in blue ink, appearing to read 'Justin Archard', with a stylized flourish at the end.

Justin Archard
COO