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AIR POLLUTION AND ENERGY EFFICIENCY

Bunker Supplier Licensing Schemes

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SUMMARY

Executive summary: The document proposes a new requirement for Parties to MARPOL Annex VI to establish bunker licensing schemes for global implementation and provides a template for such a scheme based on existing IMO instruments and guidelines

Strategic Direction, if applicable: 1

Output: 1.17

Action to be taken: Paragraph 25

Related documents: MSC 98/23; MSC 99/22; ISWG-AP 1/2/12; MEPC 73/5; MSC 100/8/1, MSC 100/20 and MEPC.1/Circ.875

Background

1 The Maritime Safety Committee (MSC), at its ninety-ninth session, noted that the Marine Environment Protection Committee (MEPC), at its seventy-first session, had instructed the Sub-Committee on Pollution Prevention and Response (PPR) to report safety issues related to low sulphur fuel oil to MSC and that the Intersessional Meeting on Consistent implementation of regulation 14.1.3 of MARPOL Annex VI (ISWG-AP 1) was held from 9 to 13 July 2018. MSC further noted that the outcome of the consideration of this matter at MEPC 73 would be reported to MSC 100 (MSC 99/22, paragraphs 2.2 and 2.3). MSC had already taken an interest in fuel oil safety at MSC 97 and had invited MEPC to provide it with relevant information on the matter, with a view to ensuring that safety aspects were adequately covered (MSC 98/23, paragraph 22.28).

2 ISWG-AP 1 considered a range of fuel oil safety-related matters and recommended that MEPC 73 invite MSC 100 to consider the outcome of the meeting (MEPC 73/5, paragraphs 16 to 24).

3 MSC 100 considered the document MSC 100/8/1 which, inter alia, proposed that the Organization should consider amending the current requirement to maintain a register of bunker suppliers, replacing it with a requirement stating that Parties to MARPOL Annex VI should establish bunker supplier licensing schemes (MSC 100/8/1, paragraph 29). MSC 100, after considering paragraph 29 of document MSC 100/8/1, noted that the requirement to maintain a register of bunker suppliers was under the purview of MARPOL and agreed that the proposed bunker supplier licensing schemes should be addressed by MEPC (MSC 100/20, paragraph 8.15).

4 Based on another proposal contained in paragraph 31 of document MSC 100/8/1, MSC 100 overwhelmingly supported the development of a draft circular recommending that all Member States take appropriate action to ensure that fuel oil suppliers under their jurisdiction deliver compliant fuel oils. In this context, MSC 100 instructed PPR 6 to develop a joint MSC-MEPC circular addressing the delivery of compliant fuel oils by suppliers, with a view to approval by MEPC 74 and MSC 101 (MSC 100/20, paragraph 8.19).

5 The co-sponsors consider that fuel oil safety is still a cause of great concern to shipowners and that these concerns will become more acute as more diversified fuel oil formulations are expected to enter the market in response to the revised regulation 14.1.3 of MARPOL Annex VI that will apply on and after 1 January 2020.

6 Fuel oil quality is a critical safety matter, and this is already recognized in both the International Convention for the Prevention of Pollution from Ships (MARPOL) and the International Convention for the Safety of Life at Sea (SOLAS). Document ISWG-AP 1/2/12 (Liberia et al.) provided a summary of the effects of fuel oil quality on safety. Whether or not a fuel oil is safe will be determined by the physical composition and qualities of a particular fuel oil, the requirements of machinery and arrangements for fuel oil handling and treatment on board.

7 Regulation 18.3 of MARPOL Annex VI prohibits adding any substance or chemical waste to fuel oil that:

- .1 jeopardizes the safety of ships or adversely affects the performance of the machinery; or
- .2 is harmful to personnel; or
- .3 contributes to additional air pollution.

8 This clearly establishes a framework for Parties to MARPOL Annex VI under which they have a jurisdiction with respect to the safety of fuel oil supplied within their territory. When read together with regulations 18.9 and 18.10, under which Parties maintain an inventory of fuel oil suppliers, regulate bunker delivery notes and take action against suppliers that provide non-compliant fuel oil, the co-sponsors believe that Parties would benefit significantly from a licensing scheme in carrying out their responsibilities related to the provision of compliant fuel oil by suppliers.

9 SOLAS regulation II-2/4.2 requires that fuel oils must have a flashpoint of 60°C or higher in order to reduce the risk of fires on board. Ships are not allowed to use fuel oil with a flashpoint lower than 60°C unless they have been certificated in accordance with the International Code of Safety for Ships using Gases or Other Low-Flashpoint Fuels (IGF Code).

10 In addition to the provisions of the MARPOL and SOLAS Conventions, the international standard ISO 8217:2017 – Petroleum products – Fuels (class F) – Specifications of marine fuels defines standard marine fuel oil grades and quality parameters.

11 If a fuel oil purchaser correctly specifies fuel oil of the desired grade within the international standard ISO 8217, then the fuel oil, as delivered, should be of an appropriate quality and safe to use. Unfortunately, experience indicates that this is not always the case.

12 Most fuel oil supplied to ships is of a satisfactory quality and safe to use; however, the size of the market for marine fuel oil (approximately 300 million tonnes per annum) means that a safety or quality issue with even a very small percentage of this total is still a significant issue.

13 The consequences of a ship losing power as a result of blocked fuel oil filters, fuel oil pump failure and failure of fuel oil separators or damage to the engine will be determined by the position of the ship and proximity to other ships or structures when power is lost. Even in cases where the engine continues to operate, even with degraded performance, this may have the same consequences as a complete loss of power if the ship is in proximity to land in an area of strong currents or adverse weather. While in most cases ships are able to safely anchor or continue at a reduced power while repairs are made or fuel oil systems are reconfigured, in slightly different circumstances these incidents could have resulted in allision, collision or grounding.

14 Whether or not a particular fuel oil is appropriate for a ship is determined to some extent by the onboard arrangements, however, in all cases fuel oil must meet certain quality requirements and fuel oil specifications provided by machinery suppliers. Classification society approvals for machinery and equipment are predicated on operators using fuel oil of appropriate quality.

Discussion

15 The co-sponsors recognize the responsibility of fuel oil purchasers to correctly specify the fuel oils that they purchase as well as recognizing onboard fuel oil handling and treatment arrangements. Where a fuel oil purchaser correctly specifies the fuel oil to be supplied, they should have confidence that it will meet the agreed specification and be compliant with applicable requirements of the MARPOL and SOLAS Conventions. It is the responsibility of the fuel oil supplier to ensure that the delivered fuel oil complies with the agreed specification and applicable statutory requirements. This principle underpins the IMO *Guidance on best practice for fuel oil purchasers/users for assuring the quality of fuel oil used on board ships* (MEPC.1/Circ.875, paragraph 1.2).

16 Fuel oil quality and safety is addressed in SOLAS chapter II-2 and regulation 18 of MARPOL Annex VI. If satisfactorily applied, these provisions would ensure that fuel oil supplied to ships was safe to use.

17 Parties to MARPOL Annex VI have accepted obligations under regulation 18 of the Annex which extend their responsibilities to regulating the fuel oil supply chain. The safety of seafarers and ships can be achieved when these obligations are properly fulfilled.

18 Regulation 18.9.1 of MARPOL Annex VI requires Parties to maintain a register of bunker suppliers. It is observed that these registers are generally just supplier directories with no quality checks applied to gain admission to the register.

19 With this in mind, the co-sponsors believe that fuel oil quality could be improved and the safety risks associated with poor quality fuel oil could be mitigated if Member States implemented fuel oil supplier licensing schemes. This would impose quality requirements on, and promote more effective regulation of, fuel oil suppliers. Such a scheme has been implemented in Singapore and it is considered to have improved fuel oil supply chain assurance in that country.

20 The co-sponsors are encouraged to note that a few Administrations are in the process of undertaking similar initiatives, for example the bunker supplier licensing scheme to be implemented by the port of Rotterdam that is being developed after discussions with all the relevant stakeholders, including shipowners and the bunker industry, at the Amsterdam Rotterdam Antwerp (ARA) fuel quality group. While this is a welcome step towards the right direction, the co-sponsors consider that advancing the global implementation of bunker licensing schemes is the only solution to ensure that the fuel oil supply chain consistently provides ships with fuel oil that is safe and compliant with all the necessary provisions.

21 The consistent and global implementation of the bunker licensing schemes by Member States will ensure that fuel oil suppliers under their respective jurisdiction would deliver safe and compliant fuel oils meeting all the necessary standards. The co-sponsors consider this to be one way that Member States could address the recommendation for appropriate action as provided in the MSC-MEPC circular that is to be approved by this Committee as explained in paragraph 4 of this submission.

Proposals

22 Based on the above discussion, the co-sponsors propose the following amendments to regulation 18.9 of MARPOL Annex VI (additions shown through underlining), requiring a bunker supplier licensing scheme:

"9 Parties undertake to ensure that appropriate authorities designated by them:

- .1 implement a compulsory licensing scheme for fuel oil suppliers and maintain a register of licensed local suppliers of fuel oil;"

23 In the annex to this document, the co-sponsors provide a draft template of a bunker license that could be used by Member States and ports under their jurisdiction for implementing the scheme.

24 Member States who wish to implement bunker licensing schemes may modify and use the template as per their national law. They may also consider specifying additional requirements, such as compulsory use of mass flow meters, for suppliers operating in their jurisdiction as part of the licensing scheme.

Action requested of the Committee

25 The Committee is invited to consider the proposals in paragraphs 22 to 24 and take action as appropriate.

ANNEX

LICENSE FOR FUEL OIL SUPPLY (BUNKERING)

License number: BUN-2019-XX

The Harbour Master/Administration of.....

On [date] [full details of Bunker supplier requesting license (including name, company, address, etc.)] requests a license to operate as a supplier of fuel oil intended for combustion purposes for propulsion or operation on board a ship.

Considering:

- Article XX of the [related port/national law]

Taking into account:

- The company has shown to have all the necessary custom licenses and documents which are mentioned in the (related port/national laws) in order to conduct the operation as mentioned in this license.

Decides:

- I the applicant, being the above mentioned company, to issue a license as a supplier of fuel oils as requested above;
- II that the license is valid for the period of 1 – 1 – 20.. to 1 – 1 – 20.. (X years);
- III that the information as produced with the application, is part of the license; and
- IV to adhere the following regulation and restrictions to the license.

1 DEFINITIONS

For the purpose of this license:

- 1.1 *SOLAS*: International Convention for the Safety of Life at Sea, 1974, as amended
- 1.2 *MARPOL*: International Convention for the Prevention of Pollution from Ships, 1973, as modified by the 1978 and 1997 protocols
- 1.3 *Bunker(s)*: Hydrocarbon based fuel for ship consumption. Primarily derived from petroleum sources, may also contain hydrocarbons from synthetic or renewable sources. Bunkers are chiefly classified as distillate or residual fuel oils usually referred to as 'fuel oils' in IMO documents.
- 1.4 *Bunker supplier/Supplier*: Manufactures or buys, owns, stores and sells bunkers. Distributes bunkers from pipelines, trucks and/or barges. May blend products to meet the customer's specifications. May own or charter a distribution network or may hire delivery services from a third party. Issues the Bunker Delivery Note (BDN).

1.5 *Bunker barge provider*: Owner/operator of tankers or barges providing transportation services for a physical supplier. Usually issues the BDN on behalf of the supplier.

1.6 *Truck provider*: Owner/operator of tank trucks. Usually issues BDN on behalf of the supplier.

1.7 *Bunker facility*: The ship (barge), supply pipeline or truck which delivers the bunkers to the ship.

1.8 *Cargo officer/supplier's representative*: Person appointed by the bunker supplier to be responsible for the delivery of bunkers to the ship and is responsible for the completion of the documentation to be provided to the receiving ship.

1.9 *Bunker buyer/purchaser*: Secures and pays for bunkers delivered to a ship at the operator side (user) and not a trader. Can be a shipowner's operator or a charterer's operator; and often used in contracts as counterpart of the supplier.

1.10 *Quality-oriented fuel oil supplier*: A fuel supplier with a quality management system certified in accordance with an internationally recognized standard (ISO 9001 or equivalent), and which may be registered with the Member State and licensed, and therefore can be expected to be on time, meet the statutory requirements, supply the quantity and quality stated on the BDN, provide support and be able to address relevant issues.

1.11 *Bunker surveyor*: An independent and certified surveyor.

2 Permitted operations

This license relates to the delivery of bunkers intended for use as fuel oil on board seagoing ships that call at the ports within the jurisdiction of the Administration providing this license.

3 Reservation

The condition under which this License for Fuel Oil Supply is granted can at any time be adjusted ex officio by the Harbour Master/Administration, as a result of any changes relating to the policy regarding fuel quality and quantity requirements and management systems.

4 Registration of bunker facilities

The bunker supplier applying for the license shall register all bunker facilities owned/operated by them by writing to the Port Authority / Administration together with all the necessary supporting documentation including, but not limited to, the following:

- .1 details about the owner of the bunker facility;
- .2 details about the bunker facility including capacity;
- .3 suitability of the bunker facility; and
- .4 date from which the bunker facility will be available for use.

The bunker license, any changes thereto and all related data and information on the bunkering facilities notified in accordance with the abovementioned documentation shall be maintained and be available for inspection at all times at the office address of the holder of the bunker license. A copy of the bunker license and any changes thereto shall be present and available for inspection at all times at all the bunker facilities covered by the license.

5 Cancellation of registration

If the bunker facility is to be used for any purpose other than bunkering, the bunker facility must be deregistered at the earliest opportunity. Only registered bunker facilities shall be used for the delivery of bunkers. The products on board the bunker facility must be properly measurable, weighed and sampled.

6 Revoking of bunker license

The license shall be revoked if:

- .1 the license holder has not conducted bunker delivery for a period of more than one year;
- .2 it appears that no or incomplete notification has been made of a bunkering operation;
- .3 the license holder does not fulfil the obligations and conditions stated in the license; or
- .4 the holder has breached relevant port bye laws or other regulations as applicable.

7 Quality management system (QMS)

The holder of the license shall be a quality-oriented fuel supplier. They shall provide evidence of this to bunker buyers if required. The QMS documentation shall include references to the standards which the supplier will adhere to along with any independent third party accreditation of the QMS or elements of the QMS and all of the necessary ISM related procedures and certification.

8 Availability obligation

The holder of the license is obliged to be available to deliver bunkers to a seagoing vessel that is being discharged, loaded or repaired in the port and for which the holder is entitled to conform to this license.

The bunker facility must be suitable and comply with the relevant legislation regarding the transport of bunkers.

9 Notification of operations

Before commencing bunkering of ships, the license holder shall submit an operational notification to the port authority stating:

- .1 name of the license holder and license number;
- .2 registration number of the bunker facility that will be used in the operation;

- .3 name and IMO number of the ship receiving the bunkers,
- .4 location of bunkering operation;
- .5 grades and quantities per type of bunkers intended for the ship; and
- .6 date and expected time of the commencement of the bunkering operation.

The aforementioned notifications should be reported electronically, at an electronic address to be determined by the harbour master and using a message definition and message protocol to be determined by the harbour master.

10 Quality requirement

The license holder shall ensure that the bunkers delivered from the registered bunker facilities owned/operated by them will meet the specifications agreed with the bunker buyer and at all times with regulation 4.2 of SOLAS Chapter II-2, MARPOL Annex VI and any other standard required by the Administration issuing the license.

11 Quantity requirement

The quantity that is considered to be normative and binding, will be mentioned on the BDN. When delivery has taken place in the presence of an independent and certified bunker surveyor, that quantity provision will be stated as normative and binding in the survey report as drawn up by the surveyor. The correct delivered quantity will be determined and calculated using a standard that is acceptable to the Administration issuing the license.

12 Bunkering operation

The license holder shall ensure that the following procedures are followed during each and every bunkering operation that involves registered bunker facilities owned/operated by them.

12.1 Clear communications shall be established between supplier (bunker barge, truck or terminal) and the receiving ship and emergency stop and response actions agreed prior to any bunkering activities commencing.

12.2 In order to address the health and safety risk to crew on both the supply ship and receiving ship, all parties involved in the bunkering operation shall wear adequate Personal Protective Equipment (PPE) and take due care to prevent skin contact with bunkers and exposure to hazardous fumes.

12.3 All supply pipelines and hoses must be thoroughly cleared of residue prior to every new delivery.

12.4 Line clearing of bunker hose(s)/pipelines must be carried out at the end of the pumping operation. Once line clearing is completed, the remaining contents in the hose must be drained back into the bunker tanker's cargo tank.

12.5 There shall be segregated pipelines/hoses and bunker connections for supply of materially different types of product, e.g. for residual and distillate grades, and for high and low sulphur bunkers to prevent cross-contamination of products.

12.6 Collection of a representative sample shall be performed for each separate grade being delivered. If more than one tanker/barge or truck is used to supply the ship, a separate set of representative sample(s) must be taken and a separate BDN issued for each tanker/barge or truck.

12.7 Representative sampling during supply of bunkers

12.7.1 Suppliers shall follow the 2009 Guidelines for the sampling of fuel oil for determination of compliance with the revised MARPOL Annex VI (resolution MEPC.182(59)) which states that the supplier should provide a MARPOL sample drawn by the supplier's representative at the receiving ship's bunker inlet manifold. If for safety or practical reasons the supplier's representative cannot move between the barge and the receiving ship to be physically present, the process may be observed visually by alternative means as per mutual agreement.

12.7.2 To ensure samples are representative, a single primary sample for each grade of fuel delivered from each tanker/barge or truck shall be drawn continuously throughout the entire product transfer by either an automatic sampler or manual continuous drip sampler.

12.7.3 The entire process, including sealing and labelling the sample containers, must be witnessed by representatives for both parties (the party supplying a cargo or product and the receiving party) and the resulting unique sample seal numbers recorded on the relevant documentation (e.g. the BDN) and countersigned by representatives for both parties.

12.7.3 The final resulting sample containers shall be sealed, labelled and countersigned by representatives for both parties. The supplier's representative commercial samples must be retained by the supplier for a minimum of 30 days. In the event of a quality dispute arising during the sample retention period, the samples shall be retained until the dispute has been resolved.

12.8 Documentation

12.8.1 Suppliers shall provide BDNs as per regulation 18.5 of MARPOL Annex VI to the receiving ship and Safety Data Sheets (SDS) in line with the requirements of SOLAS regulation VI/5-1. The bunker supplier shall ensure that the bunkers delivered to ship are in conformity with the details provided on the BDN and SDS.

12.8.2 The BDN shall be signed by both the supplier's representative and the representative of the receiving ship and retained by the supplier for at least three years.

13 Additional requirements for registered bunker facilities

Each registered bunker facility owned/operated by the license holder must keep a voyage and cargo record book and shall contain the following information:

- Date and time of receipts and deliveries
- Product name, quantity, tanks, loading terminal and accompanying documents (bill of lading)
- Blending and internal tank transfers
- Any disputes between recipient and supplier (letters or protest)
- Name and signature of the Cargo officer

PORT:

DATE:

ISSUING AUTHORITY SIGNATURE AND OFFICIAL STAMP:
