

**MARPOL ANNEX VI SUBMISSION**  
**18 January 2019**

## **MARPOL Annex VI: Prevention of Air Pollution from Ships**

Thank you for the opportunity for Coastal Oil Logistics Limited (COLL) to make a submission in respect of MARPOL Annex VI: Prevention of Air Pollution from Ships. Please note that this submission is made on behalf of COLL only, and not our shareholders BP Oil New Zealand Limited, Mobil Oil New Zealand Limited and Z Energy Limited, who we understand may each make separate submissions on this matter.

COLL is supportive of safe, secure and clean shipping.

COLL believes that it is logical for New Zealand to accede to MARPOL Annex VI in order to ensure we remain a credible voice on environmental and climate change issues within the international community. We would like to see New Zealand play a full part in any future IMO processes that determine maritime rules relating to environmental or climate change response.

We also support aligning New Zealand with the vast majority of other maritime nations that have already supported this air quality improvement initiative. Whilst COLL's time chartered tankers operate predominately on the New Zealand coast, from time to time the vessels are traded internationally, primarily to Australia, Singapore, China and South Korea. Aligning New Zealand's vessel sulphur emission regulations with these nations would make compliance easier when entering these jurisdictions.

COLL's vessels currently burn 380CST bunker fuel oil, which is sourced from Refining NZ at Marsden Point. Our understanding is that COLL's vessels are the largest domestic consumer of this fuel grade in New Zealand. The key issues for COLL in relation to the adoption of Annex VI are the availability and cost of low sulphur fuel within the New Zealand market. Currently COLL is not aware of Refining NZ or the oil companies' intentions with regards to the supply of low sulphur fuel oil into the New Zealand market.

COLL's decision regarding the use of compliant low sulphur fuel versus the use of abatement technology (scrubbers) will be driven by both economic and operational considerations. Economic considerations include the cost/benefit of retrofitting COLL's existing vessels with scrubbers (or replacing these vessels with vessels already fitted with scrubbers) and continuing to burn existing fuel oil, compared to the cost of burning compliant low sulphur fuel. Given the current lack of certainty on the availability and cost of compliant low sulphur fuel, this economic position remains unclear at this time. Regardless of which option is chosen, COLL expects that the requirement to comply with MARPOL Annex VI will increase the operating cost of our vessels significantly.

It is noted that the Maritime and Port Authority of Singapore has recently announced that it will not allow ships with open-loop scrubbers to discharge scrubber wash water in port after January 1, 2020. It is not known if New Zealand would follow with similar restrictions. It is also unclear what, if any, landside facilities will be available on the New Zealand coast to dispose of the waste generated by closed-loop scrubbers. COLL believes it is important that the shipping industry has clarity on these issues as soon as possible, so that commercially sensible vessel and port-related capital investment decisions can be made.

If New Zealand does accede to MARPOL Annex VI COLL believes that it is important that there is a sufficient time period between accession and the regulation coming into force to allow for the

operational issues highlighted above to be addressed, and to provide time to align these to ship owners and charterer's investment/budgeting cycles. We think that a period of at least 18 months would provide time for this to occur.

COLL would welcome the opportunity to meet with Ministry of Transport officials to discuss our submission further.

### **Information on Coastal Oil Logistics Limited**

Coastal Oil Logistics Limited is a joint venture company between New Zealand's major petroleum suppliers: BP Oil New Zealand Limited, Mobil Oil New Zealand and Z Energy Limited.

COLL is primarily tasked with providing its shareholders a safe, efficient and cost effective coordinated coastal shipping service for the transportation of refined petroleum products from Refining New Zealand at Marsden Point to New Zealand's ports. COLL time charters two near-new medium range (MR) tankers from Silver Fern Shipping (a subsidiary of ASP Ship Management Group).

Both vessels have been built and operate to the highest global safety standards recognised by the International Maritime Organisation (IMO) and the operational standards of the Oil Companies International Marine Forum (OCIMF).

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