

Sinanju Tankers steams ahead in a sea of uncertainty

Singapore's Sinanju Tankers says the multitude of fuel types that ships will burn after the 2020 sulphur cap kicks in will make life far more complicated for bunker tanker operators

August 23rd, 2018 17:00 GMT by Jonathan Boonzaier

Sinanju Tankers Holdings is one of the larger players in Singapore's huge bunker tanker industry, with a fleet of 13 vessels on the water and one more on the way.

Yet, general manager Desmond Chong and corporate development advisor Marianne Choo claim to be as much in the dark as anyone else in shipping as to whether low-sulphur fuel oil (LSFO) will trump high-sulphur fuel oil (HSFO) after the sulphur cap comes into force on 1 January 2020.

Privately owned Sinanju, like most bunker tanker operators, acts purely as a physical supplier. It does not market or sell bunkers. Oil majors and bunker traders charter its vessels to deliver the fuel they sell to ships calling at Singapore's ports and anchorages.

Chong tells TradeWinds that post-2020, the requirement for the bunker tanker industry to supply HSFO, LSFO and marine gas oil will complicate what has been a relatively straightforward operation until now.

He says the key problem is that it is not easy to switch between HSFO and LSFO.



An artist's impression of Sinanju's new 8,000-dwt LNG-powered bunker tanker Photo: Sinanju Tankers Holdings

"Normally, bunker tankers do not switch between cargoes because it requires tank cleaning to avoid contamination," he says. "This is not practical and is expensive."

The logical solution would be for bunker tanker operators to dedicate specific vessels for each product.

In theory, that appears to be the easiest solution. But, in practice, it is not. The bunker tanker industry is fragmented, with numerous small players. In Singapore alone, there are about 59 operators controlling 210 bunker tankers.

"A lot of companies only have three or four ships," Choo says. "It would be hard for them to have ships dedicated [to] each of [the] three different fuel types."

Chong's biggest concern appears to be maintaining vessel utilisation levels.

"It is likely to result in quite a bit of under-utilisation of vessels," he says. "It would have to be offset by higher freight rates because we wouldn't be able to put in a vessel just to have 50% utilisation."

Both executives believe more clarity will emerge closer to the 2020 deadline and eventually a balance will be struck. Choo notes that a Singapore Shipping Association committee looking into the matter has noticed a significant rise in the number of shipowners installing scrubbers.

Chong admits it would have been much easier if the IMO had just banned HSFO altogether.

Powering ahead with LNG

Sinanju became the first Singaporean bunker tanker operator to move into LNG in April when it ordered an 8,000-dwt LNG-powered bunker tanker at Keppel Singmarine.

The dual-fuel vessel was ordered as a joint project with Mitsui & Co (Asia Pacific), the Singaporean arm of Japanese trading house Mitsui & Co, and is scheduled to be delivered in the fourth quarter of next year.

Chong describes the move as Sinanju's first step into LNG bunkering.

"In the future, LNG will be a popular fuel," he says. "We think this is an area we should get ourselves acquainted with. Operating our own LNG-powered vessels will give us experience."

He expresses surprise that there has not been more of an uptake of LNG or dual-fuel vessels by the shipping industry.

"Dual-fuel vessels give a better hedge against fluctuating fuel costs," he says. "It is very straightforward to put a dual-fuel system onboard a tanker. As an added advantage, you don't have to worry about fuel spills."

Sinanju's new bunker tanker, like all LNG-powered vessels bunkering in Singapore, will be supplied by truck.

Singaporean authorities have given Pavilion Gas and FuelNG exclusive rights to supply LNG bunkers in Singapore for five years. Each of these entities recently received a \$3m co-funding grant from the Maritime and Port Authority of Singapore to build an LNG bunker vessel, with both slated to enter service in 2020.

Chong hopes that Sinanju will also be given an opportunity to participate in LNG bunkering.

"We are very interested to build an LNG bunker vessel if we can obtain a licence," he says.

Choo cautions that the high cost of building such a ship might prove challenging.



Bunkering operations off Singapore Photo: Sinanju Tankers Holdings

“There are too few of them around, so the price is very high for a small to medium-size enterprise such as ours,” she says. “What we

would probably have to do is partner with a big supplier and act as the operator.”

Meanwhile, Sinanju is in the process of deciding whether to take up the option it holds for a second LNG-powered bunker tanker. While the company is keen to do so, it is concerned about the implications of the 2020 sulphur cap.

“We have had no clear indication from our clients on how many vessels they will need post-2020,” Chong says.

Sinanju considered replacing its entire fleet with LNG-powered vessels, but decided against such a move because of the lacklustre demand for its existing ships on the secondhand market.

“Everybody is worried about what types of vessels they will need after 2020,” he says. “That, combined with an existing overcapacity situation, and the availability of a number of vessels at auction, means that there are no buyers for ours.”

SINANJU TANKERS' FLEET LIST

Name

DWT

Built

Marine Honour

8,700

2007

Marine Ista

8,700

2007

Marine Jewel

8,700

2008

Marine Kingsly

5,700

2010

Marine Liberty

5,700

2010

Marine Noel

4,700

2012

Marine Oracle

4,700

2012

Marine Pamela

4,800

2012

Marine Queenie

6,500

2017

Marine Rose

6,500

2017

Marine Selena

6,500

2017

Marine Tina

6,500

2018

Marine Unique
1,100
2017
LNG-powered newbuild
8,000
Q4 2019