

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

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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.

"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.

GAS FUELLING:

An illustration of Sinanju's new 8,000-dwt LNG-powered bunker tanker

Images: Sinanju Tankers Holdings



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 Fuel LNG 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

REFUELLING:

Bunkering operations off Singapore



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.

"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

COMPLEXITY: Sinanju corporate development advisor Marianne Choo (left) and general manager Desmond Chong

Photo: Jonathan Boonzaier





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 over-capacity situation, and the availability of a number of vessels at auction, means that there are no buyers for ours.”

TW 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



BUNKERING TEAM: Sinanju's fleet of bunker tankers includes the Marine Oracle (top) and Marine Tina (above)



LEGAL DEFENCE: Mass flow meters make it impossible to blend fuels onboard bunker tankers Photo: Sinanju Tankers Holdings

BUNKER INDUSTRY IS CAUGHT BETWEEN LEGAL ROCK AND HARD PLACE

For Sinanju Tankers Holdings, the challenges laid bare by the OW Bunker collapse in 2014 remain unchanged, even as the resulting litigation fades.

The downfall of the Danish fuel oil trader highlighted the legal exposure that bunker tanker operators — as physical suppliers — face when engaged in their trade.

When the suppliers of the fuel that OW sold realised it was unlikely they would be able to get much out of the pile of ashes that the bunker giant had become, they sent their lawyers after the bunker tankers that delivered the fuel. Almost a dozen ships were arrested in Singapore.

The legal argument used was that they still held title to the bills of lading for the bunkers that were supplied by the tankers to oceangoing ships at the order of OW.

In all cases, the plaintiffs loaded the cargoes shortly before OW declared bankruptcy and then asked for it to be returned after word of the company's plight got out. When the owners of the bunker tankers could not return the cargoes, action was taken against them.

These were cut-and-dried cases under the normal rules of cargo law. If the owner of a vessel accepted responsibility for a cargo until it was delivered to the consignee, they would be answerable if there were any loss.

The bunker tanker owners tried to argue that those rules did not fit the way the industry operated, and had until then never been applied in practice. Their arguments did not carry weight with the courts and a slew of bunker tanker auctions followed.

Although no Sinanju tankers were arrested, general manager Desmond Chong says the OW saga shows the one-sided

environment in which the bunker tanker industry operates.

“Nothing has changed since then, and it is tough for us to protect ourselves from such a situation happening again,” he says. “We are all small players sandwiched between big players. The oil companies own the molecules and the traders have deep pockets. We don't have any say. But when things go wrong, we are the ones who get the blame.”

Chong's biggest worry is that bunker tanker operators theoretically could be held responsible for any damage caused by bad bunkers supplied by their vessels.

And he has good reason to worry, given the contaminated bunkers scandal that is plaguing the shipping industry.

“We don't know what is in the fuel,” he says. “They say we should test the bunkers before we deliver it, and we do. The problem is that testing is done in the storage tanks onshore. Those tanks are big and the sample size is just too large for contaminants to be detected.”

“Unless we can prove that the bunkers were contaminated before being loaded on to our ship, we are responsible.”

Chong believes that the contamination problem will only worsen.

“I foresee more such cases going forward as suppliers try to blend fuels ahead of 2020,” he says. “For many, it will be trial and error.”

He hopes that strict regulations in Singapore forbidding the blending of fuels onboard bunker tankers — a process that mass flow meters also render impossible — will stand in the bunker tanker industry's favour should any legal cases arise.

On a positive note, Chong observes that the recent problems caused by contaminated US oil have forced traders to be cautious and vigilant.

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