

Coming attractions

Katia Kardash of the DK Group argues that demand for fuel savings can drive clean technology take-up ahead of regulation

Regulation is coming, and soon. We know that if the International Maritime Organization (IMO) fails to come up with a proposal at its MEPC 62 meeting in July, the European Union (EU) will devise a regional solution, but although there is much speculation over different measures, currently no one knows the details of how or on what level regulation will work.

What is certain though, whether the IMO's *Energy Efficiency Design Index (EEDI)*, bunker fuels levy or an Emissions Trading Scheme (ETS) is implemented, a clear target to work towards and simple solutions to ensure compliance are vital. Most importantly, all solutions need to unlock the latent profitability currently trapped in the industry – with or without regulation.

Det Norske Veritas' (DNV) cost curve, featured in the *2009 Pathways to Low Carbon Shipping* report, illustrates that there is 15% latent efficiency in the industry for retrofit technology and 25% for newbuild vessels – a lot to play for. Other industry players estimate the inefficiency to be even greater.

Crucial cost savings

These figures represent crucial cost savings that are there for the taking, something that will resonate with shipowners, operators and their charterers as they strive to combat fluctuating fuel costs. With crude continuing to hold at well over \$100 a barrel, bunker prices at double their 2010 levels and drastically higher cleaner fuel costs imminent as stricter Emission Control Area (ECA) sulphur levels are introduced, fuel savings have never been so keenly desired.

To access these fuel savings, in conjunction with reduced carbon dioxide (CO₂) emissions, shipowners and operators are increasingly taking a proactive approach to get ahead of regulation. Focusing on improving efficiencies in their operations is good for business and maintaining a competitive advantage. With the clock ticking on the impending timetable for regulatory change, it has never been more important for shipowners to look at the bigger picture and plan ahead.

Unlocking the money

This shift in mindset is fundamental to unlock the money and resources that adopting clean technologies, and particularly retrofit technologies, can provide. The message is filtering through the industry, and there is a new progressive energy and outlook as increasing numbers of shipowners are open to technical development and looking to

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advancements to access the money that is there for the taking with the application of clean technologies. A recent survey conducted by market intelligence company **Fathom** has highlighted the increasing popularity of clean technology, and it has published a guide detailing them.

The Guide is the first comprehensive guide to ship efficiency and technology measures. Supported by the **Baltic and International Maritime Council (BIMCO)** and **Lloyd's Register**, the guide details the emission reduction capability, payback periods and ship type applicability for an array of technologies that are increasingly being embraced by the shipping industry – a positive step forward.

Eroding barriers

Whilst many of the technologies on the market – including the ones listed in *Fathom's* guide – may be well known, there have previously been several barriers preventing many shipowners from choosing these products. These included a lack of proven technologies, unreliability and low fuel prices. However, these barriers are increasingly eroding and the industry is opening its eyes to the possibilities that innovative technologies present, especially those that can also be retrofitted.

The retrofit market is brimming with potential for cost savings that can be accessed now, which is ultimately great for business in both the short and long term. With current bunker fuel prices and impending sulphur and potential greenhouse gas (GHG) regulation, it is the cost savings that can be achieved as a result of reduced fuel consumption that are perhaps the most enticing for tanker owners and operators. To meet these targets, simplicity is vital. An example of such technology is **DK Group's Air Cavity System (ACS)**.

New breed of technology

An air lubrication technology that delivers approximately 10% in fuel savings for tankers, ACS represents a new breed of eco-efficient



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DK Group has pioneered the development of the Air Cavity System (ACS) for new and existing vessels to reduce a vessel's fuel consumption and carbon dioxide (CO₂) emissions by up to 10% – providing huge cost savings for shipowners and reducing the shipping industry's impact on global warming.

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technologies that can now be retrofitted – in this case in just 14 days at routine drydock – for the existing commercial fleet. Making the technology available for both newbuild and current vessels enables shipowners and operators to benefit from emissions reduction and related fuel cost savings straight away, in preparation for new legislation.

There have been many discussions and criticisms of new potential regulations, including the IMO's EEDI. But, in principle, a form of energy efficiency indexing around vessel design can, if used correctly, stimulate positive change.

Capitalising on opportunities

To capitalise on this opportunity, the industry must look to the bigger picture of what proposed indexing regulations such as EEDI represent and how they can benefit all of us in the future. It is also important to consider what EEDI – in whatever final guise it

takes – signals for the existing global fleet, as although it will not actually be covered by this new index, there remains a huge market opportunity for retrofit technologies. With a young global fleet, retrofit technologies can provide efficiencies for the majority of the industry, within a relatively short time.

The savings that ACS can deliver, for example, with a payback time of just 18 months to three years at current bunker prices will make a significant positive difference to the bottom line for all. The payback period can be reduced still further as fuel prices climb and regulations for cleaner distillate fuels come online in 2015 and beyond.

New era for shipping

Looking to the future, innovative eco-efficiency technologies that marry cost savings and reduced emissions can provide stability for owners and operators as they enter a new era of shipping.

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