

DK GROUP WELCOMES ENERGY INDEX

With the IMO's proposed Energy Efficiency Design Index (EEDI) expected to become mandatory later this year, it has attracted many critics, but as **Katia Kardash**, CEO of DK Group discusses, the case for indexing and benchmarking is clear-cut

DK Group is a supplier of fuel efficient and environmentally friendly air cavity system designs (ACS) to the marine industry. With the advanced technological expertise, DK Group is able to produce vessels that reduce CO₂ emissions and fuel consumption by 10%, can increase safety enabling the vessels to stop faster in emergency situations, and can be installed on both existing and newbuild vessels of many different types in the ocean-going commercial fleet.

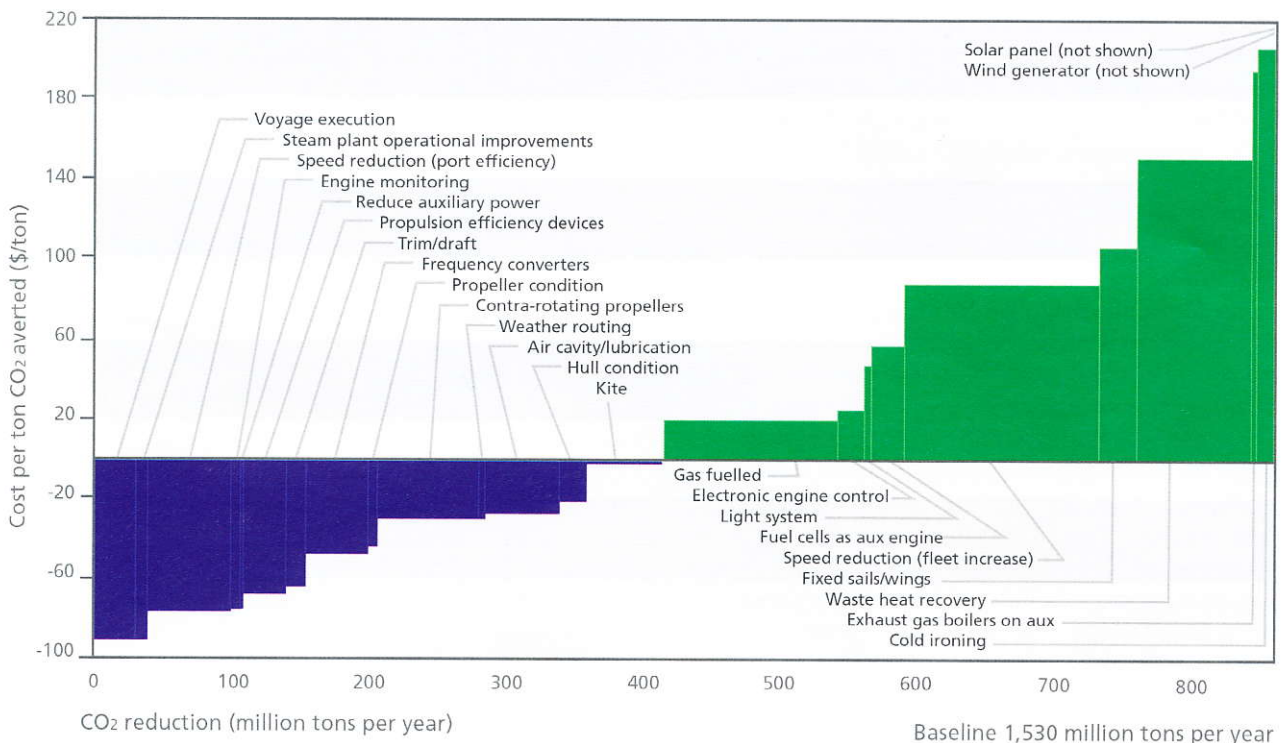
Katia Kardash joined DK Group in an operational capacity at the beginning of 2010 to support the development of the business plan for the retrofit version of DK Group's pioneering ACS technology. Katia's extensive experience in inter-

national corporate finance, private equity investing, and capital markets saw her being appointed to CEO later that year to lead the company through its next phase of growth, including taking the ACS Retrofit to market and generating further institutional investment to support DK Group's growth objectives. As a result, Katia has an interesting perspective on the International Maritime Organisation's (IMO) Energy Efficiency Design Index (EEDI) which may become mandatory at the IMO MEPC 62 in July.

In Katia's opinion, while there are well-documented flaws that still need ironing out, in principle a form of energy efficiency benchmarking should be welcomed.



Katia Kardash, CEO of the DK Group



Pathways to low carbon shipping – 2009 report

// One cannot start a diet without knowing one's weight; without indexing and benchmarking, there can be no new standards set **//**

The advent of EEDI, should it come in July, should be commended as progress, not for its detail and complexities, but for what indexing represents. EEDI has already laid a foundation to further drive change in the industry, by provoking discussion that opens the doors for ship owners to explore new ways of cutting emissions and costs.

However, its focus on newbuilds should not be used as a diversion from the opportunities that lie latent within the existing fleet for better efficiency. As bunker prices continue to rise, the application of emission reduction technologies and measures with short to medium payback periods is the key to unlocking these efficiencies.

While naval architects and shipbuilders have raised several issues with EEDI, including debate over the sea trial format, data accuracy, maneuverability safety, and its applicability to certain ship types, it nevertheless represents a line in the sand that will, in time, lead to improved CO₂ indexing.

Important steps, like addressing the question of ensuring impartiality whilst checking that a newbuild meets the calculated value, must also be outlined. Encouragingly, the dynamics are changing between owners and yards as environment and fuel efficiency become evermore closely connected to the industry's economy. Closer collaboration with shipyards and classification societies will therefore be needed as ship owners look to implement clean technologies for newbuild vessels. The design index will also become a gauge for shipyards' ability to embrace technologies and to produce more efficient vessels.

If approved, EEDI is expected to reduce ship emissions by 10%-20% by 2030, but will have no impact on existing ships. This is a growing concern for the industry as bodies such as the European Union or the UNFCCC push for greater macro carbon reduction by 2020. To turn this issue into opportunity, the industry must now look at the bigger picture of

what proposed indexing regulations represent and how this can benefit all of us in the future, starting now.

There are retrofit clean technologies entering the market that can make a real difference and enable ship owners and operators to start accessing cost and efficiency savings, with a payback of as little as nine months to five years. For example, the air cavity system can deliver approximately 10% savings on fuel costs and emissions and can be applied to retrofit as well as newbuild. And whilst there may not be any regulatory guidelines for retrofit, the fact remains that reducing fuel costs alongside CO₂ emissions from existing vessels is good news for ship owners and operators as it results in profitability over the short to medium term. In other words, getting ahead of regulation and focusing on improving efficiencies is good for business.

By realising the real issues facing ship owners and operators today: high fuel prices, reduced credit, impending environmental regulation, cleaner and more expensive fuels, we can learn what EEDI represents. Despite the complexity and flaws within EEDI, the formation of other indices, such as the International Association of Ports and Harbours' Environmental Ship Index (ESI), EEDI data for all vessels on www.shippingefficiency.org, and the Clean Shipping Index (CSI), confirms the need for benchmarking.

Fundamentally, benchmarking must be based on accurate data. If the industry moves to a bunker levy or Emissions Trading Scheme (ETS), then incorrect CO₂ data that under-estimates or exaggerates the data could result in ship owners being evaluated based on inaccurate data. Nevertheless, EEDI should be deemed a satisfactory start and a trigger for data improvement and a less complex index in years to come.

By advancing new methods and technologies that deliver energy, emissions and cost efficiencies, the shipping industry can future proof itself in anticipation of incoming regulation. EEDI and more accurate indices that follow can help to unlock the barriers to technology take-up. Central to these methods must be solid data on CO₂. The analogy is crude, but one cannot start a diet without knowing one's weight; without indexing and benchmarking, there can be no new standards set. **MER**