

US port security bill approved

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SEVERAL key pieces of security-related legislation were passed by the US Congress last week, including a five-year, \$2.2Bn port package.

The long-awaited bill was passed in the early hours of Saturday morning by the Republican-run Senate and sent to President George W Bush, who is expected to sign it quickly into law.

The bill was expedited by the Dubai Ports World debacle, according to Jay Grant, director of the Port Security Council, who said the attention focused on ports by the issue "made my job easier." He called the measure the first meaningful move away from a "guns, gates and guards" philosophy and towards a long-term strategy to ensure port security and the overall US supply chain.

One concern for port bosses is that the recently passed appropriations bill funds just \$210M of the \$400M needed for port security grants.

Kurt Nagle, president of the American Association of Ports Authorities, said that since ports handle 99% of US imports and exports, securing them must be made a higher budgetary priority. Grant added that he would continue to press Congress to earmark some customs duties and fees to fully fund the grant programme.

Included in the original version of the bill was \$3.5M to be used to safeguard rail and transit systems, but that was dropped in the conference committee. Congress is clearing its decks prior to the five-week recess that precedes November's mid-term elections. **F**

Intertanko to explode \$50Bn bunker bombshell

by **ANDREW LANSDALE**, MARKETS EDITOR

Intertanko is poised to abandon residual fuels, in a move that has shocked the bunker world.

Intertanko's members, who control 70% of the world's tanker tonnage, will be encouraged to switch all their tonnage to marine diesel oil (MDO), pulling the plug on the residual fuels market – and eventually pushing the industry's fuel bill up by \$50Bn a year.

Intertanko is responding to Marpol Annex VI (Regulations for the Prevention of Air Pollution from Ships), which aims to cut the levels of sulphur (SOx) and other noxious substances (NOx) from ship exhausts.

Support from Round Table

Intertanko has decided that the only way to comply with Annex VI is to abandon residual fuels altogether and go over to MDO. It also intends to recommend to the IMO that all merchant ships be forced to switch.

Support from other organisations in the so-called Round Table (Intercargo, BIMCO and the International Chamber of Shipping) could mean that the switch would be made quickly, perhaps before the IMO can announce it officially.

The combined membership of these four organisations is believed to control about 90% of the world's oceangoing tonnage.

Intercargo, the body representing bulk owner, is believed to be

ready to follow Intertanko's lead, as is the International Chamber of Shipping. However, BIMCO is thought to be less enthusiastic, partly because of political sensitivities over the pecking order within the Round Table.

If the move gathers support, the business of supplying residual fuels is in jeopardy. Bunkering companies supply about 200M tonnes of residuals a year.

Replacing all this fuel with diesel will be a huge ask for refiners. First they will have to increase their capacity to produce an extra 200M tonnes of low-sulphur MDO. Then they must dispose of the 200M tonnes of gunge they have so far been throwing the shipowner's way. Fuel costs are already on a long-term upward trend.

Companies reporting last month made much of the increase in bunker costs. Frontline told shareholders that bunker prices at Fujairah were 43% higher in the first half of this year, compared with the same period in 2005.

What are residuals?

Most ships at full speed burn residual fuel in their main engines. This is the gunge left during the crude oil refining process when all the higher grades have been removed.

Only nasties such as road oil come lower down the pecking order. Higher-priced marine diesel oil is habitually used only when manoeuvring in and out of port or in close-quarters situations, when the ship's engines are required to start and stop efficiently.

The Bergen-based chemical tanker operator Odfjell estimated that 55% of its voyage costs can be attributed to bunkers.

Pressure back on owners

Wilh Wilhelmsen has reported that its second-quarter income from chartering additional tonnage to cover contracts had been considerably undermined by high bunker costs.

But just when the price of crude oil had started to fall and owners felt that pressure on the bottom line as a result of high bunker prices was easing, along comes Intertanko recommending measures that would nearly double owners' bunker bills. **F**

Port by port fuel costs

Port	380cst	MDO	diff	Extra cost
Rotterdam:	\$276	\$494	\$218	\$52.3Bn
Suez:	\$298	\$720	\$422	\$101.3Bn
Singapore:	\$288	\$550	\$262	\$62.9Bn
Houston:	\$271	\$553	\$282	\$67.7Bn

