



# IMO2020 – What's the Impact?

27 June 2019

By Commodity Technology Advisory LLC

New IMO2020 regulations coming into force have got the industry's attention. What is this regulation? What will it mean and how will it impact us? We asked Alok Sharma of InaTech.

**ComTech Advisory:** We notice that Inatech has been very active in covering the new IMO2020 regulations. Can you tell our readers what this is and why it is so important?

**Alok Sharma:** From January 1, 2020, the level of sulphur permitted in shipping fuel will be cut to 0.5% from 3.5% currently. The regulations will trigger the biggest and most sudden change the shipping industry has ever seen. Overnight, about 90% of global demand for bunker fuel must switch from Heavy Fuel Oil (HFO) to low-sulphur alternatives and no one knows quite what will happen. The closest event in terms of seismic change was when sulphur emission control areas (SECAs) came into effect in January 2015, but that only affected about 6-7% of total fuel consumption.

At Inatech, we provide system solutions to both the marine bunkering and oil trading sectors so we understand how both industries operate and we are supporting our marine industry clients as they get to grips with the new bunker trading environment.

**ComTech Advisory:** How will it impact the industry do you think beyond just the obvious?

**Alok Sharma:** Until now, the marine bunker market has been a niche sector. Although bunker buyers might be spending huge sums of money each year, they are working with an established supply chain that is geared to deliver an established product.

With the arrival of low-sulphur fuel, all of that will change dramatically. The process of buying and trading bunkers will resemble the global oil markets and will attract new entrants with a more sophisticated approach to business. In many cases, today's bunker managers will struggle to compete unless there is a recognition that the bunker buying is evolving into energy management. It requires a complete behavioural change; it will not be possible to continue current practices and expect the same results.

**ComTech Advisory:** And from a systems perspective, what are the impacts?

**Alok Sharma:** As bunker management becomes more like oil trading, systems need to be in place to manage new risks, such as price volatility, product availability and complex supply chains. Last minute bunkering will lead to increased working capital of ship owners impacting the bottom line. Additional market data will be required and systems and resources must be put in place to analyse this data and to manage new workflows.

**ComTech Advisory:** Are there implications for CTRM software users as well?

**Alok Sharma:** CTRM software users will need to get to grips with these new, more sophisticated systems as the major international shipping companies invest in technology ahead of the implementation of IMO 2020. Setting aside time and resources for training and supporting CTRM software users is vital.

**ComTech Advisory:** How is Inatech prepared and what products/services have you modified or developed specifically around this regulation?

**Alok Sharma:** Inatech has responded to the challenge of IMO 2020 by developing a new toolkit that scours the globe in real-time for the optimal bunker ports. The 'Smart Trader' app enables companies to track their vessels on an integrated system that manages fuel levels on board and updates with live prices and news for supply en route. The interactive platform not only displays which ships in the fleet are running low on fuel but whether their fuel type is compatible with availability and optimal pricing in the direction of travel and, if it's not, what would be the most optimal rerouting. Potential suppliers are checked for quality and credit references to control counterparty risk. The technology moves the bunker buyer from operational to analytical, continually dissecting and analysing quotes as they're updated from the full suite of international suppliers.

The app is powered by comprehensive S&P Global Platts data spanning refined wholesale and retail marine fuels at more than 350 ports worldwide, along with regional indices, 28 day spreads, and moving averages. Smart Trader also includes Platts' new IMO 2020 compliant 0.5% sulphur cargo price assessments for the ports of Rotterdam, US Atlantic Coast, US Gulf Coast, Fujairah and Singapore, along with intraday news and feature articles to round out a full picture of the global bunker markets.

The app builds on the Inatech's Shiptech platform, which in recent years took bunker buying from XL spreadsheets and manual tasks to an automated and comprehensive workflow system spanning vessel loading to invoicing.



#### **About Alok Sharma, Senior Vice President at Inatech**

Master Mariner Alok Sharma is the Senior Vice President at Inatech, a Glencore company that provides oil trading and bunker fuel management solutions for the marine and oil industry. For Shipping, Inatech's Shiptech platform, with the Smart Trader module, is the market leading system for bunker fuel procurement, with daily usage by a combined fleet of over 2,000 vessels. For

more information, go to [www.inatech.com](http://www.inatech.com)

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