Over the Finnish Line

Ballast Water Treatment Regulations Finally Ratified

Earlier this week, Finland ratified the IMO’s Ballast Water Management Convention (BWMC), raising the percentage of world tonnage to 35.1441% and the number of ratifying countries to 52. This means that the hurdle of 30 countries representing 35% of the world’s merchant fleet has now been met and on September 8, 2017 (one year from now), the BWMC will enter into force. While the approval process for this new regime – meant to protect local ecosystems from the impacts of invasive species – took a very long time, it may still come too soon for some owners.

The “International Convention for the Control and Management of Ships’ Ballast Water and Sediments” was adopted by the IMO more than 12 years ago (in February 2004). However, as Intertanko pointed out in their press release: “the IMO has yet to complete its work on reviewing and revising the G-8 type approval guidelines for ballast water management systems.” There are currently more than 50 treatment systems on the market that are approved under the current IMO regime, but not all of these systems may be granted final approval by the IMO.

This uncertainty will give shipowners pause, especially since these ballast water treatment systems can be very costly. System costs vary widely for the different vessel types depending on their ballast needs. This is typically measured in pumping rates (cubic meters per hour). Small vessels, such as ferries and passenger vessels have pumping rates that generally do not exceed 500 cubic meters per hour (m³/h), while containerships are in the 1,000 - 2,000 m³/h range. Bulk carriers, oil tankers and large gas carriers have pumping rates from 5,000 to up to 20,000 m³/h and require the largest systems. The prices for these systems vary depending on their type and level of sophistication, but the tanker owners that we have talked to indicate a range of $1.0 million for an MR product tanker up to $2.25 million for a VLCC (including installation) for a top of the line system.

The fact that the United States unilaterally adopted a different (more stringent) approval regime for treatment equipment has made the situation even more complicated, especially since there are currently no systems on the market that have received US Coast Guard (USCG) approval. It is therefore no surprise that the reaction in shipping circles following the ratification of BWTC has been mixed. Unless the US Coast Guard quickly type-approves a number of systems, shipowners are facing the risk of investing millions of dollars in systems that they may have to replace within a matter of years.

An estimated 60-70,000 vessels will need to have some sort of ballast water treatment system installed in the five year period between 2017 and 2022. While this is a large number of vessels, the retrofitting will be done during regular drydock intervals and for most vessels the installation of a BWTS will not add significantly to the time in the shipyard and we think that the yards will be able to handle the workload without too much disruption.

The implementation date and lack of clarity which systems may or may not be acceptable under the IMO and USCG regimes, many shipowners have delayed decisions regarding the installation of ballast water treatment systems. However, assuming everything will be sorted out over the next twelve months, prior to the first wave of BWTS retro-fits, what do we expect the impact to be on the tanker market? There are two factors that are frequently mentioned: congestion in the shipyards and increased scrapping.

Will the cost of these systems encourage some owners to scrap their vessel rather than take it through another special survey? That may happen in certain individual cases. A scrapping decision depends on many factors, including the state and outlook for the market, scrap prices and the general state of maintenance of the vessel. The cost of a BWTS could tip the scale toward scrapping, but will not be the driving force.