

# Singapore bunkering update



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Singapore remains one of the largest bunker fuel markets globally. According to the Maritime and Port Authority of Singapore (MPA), around 42.6m tonnes of bunkers were sold in 2012 and, with an average of 3.4m tonnes sold each month in the first half of 2013, sale volumes are projected to remain steady at 2012 levels.

This brief article will recap on some of the claims risks for bunker buyers, whether shipowners or charterers, against the highly regulated backdrop of bunkers supply in Singapore.

## **The regulatory backdrop**

Bunkering standards are high in Singapore. The Singapore Standard Code of Practice for Bunkering (SS600) is an obligatory code ensuring those MPA-licensed bunker suppliers follow strict documentation and equipment requirements during bunker delivery. Furthermore, the Singapore Standard Specification for Quality Management for Bunker Supply Chain (QMBS) (SS524) implements procedural controls over bunker quality and there are additional minimum operating standards for bunker tankers. It is this strong regulatory safety net in Singapore that affords bunker buyers some comfort.

Indeed, strict regulation enforcement has led to the MPA revoking three suppliers' licences to date this year. All the suppliers were found to have breached a licence condition by permitting another supplier to use their Bunker Delivery Notes (BDNs). Between 2011 and 2013, the number of accredited suppliers has fallen from 79 to 68. This, perhaps, represents a consolidation driven by the strict operating standards.

Despite this extensive regulation and enforcement, buyers should remain alert to bunkering claims risk.

## **Bunker Supply Agreement (BSA)**

The BSA's terms and conditions tend to favour supplier evidence on quantity and quality. Due diligence should be undertaken pre-contracting and the BSAs reviewed to ensure they are not too onerous. With competition fierce amongst suppliers in Singapore, there is scope to negotiate with, or switch to, an alternative supplier.

Buyers should be aware of the short time bars (often between seven and 30 days from delivery). Any complaint on quantity and quality should be notified via a Letter of Protest immediately to the supplier and evidence gathered early. A buyer will likely have no recourse against the supplier if the BSA's claim notification clause is not complied with.

## **Quality**

Bunkers supplied should meet the BDN's quality parameters. Owners wish to avoid engine damage and charterers tend to have an absolute obligation under charterparties to supply bunkers that are suitable for the ship's engines and match agreed specifications.

Since June 2012, Singaporean suppliers must now follow ISO 8217:2010 (Petroleum Products – Fuels (Class F)). This should ensure that high-quality standards are met; however, buyers should remain vigilant on quality because a large number of suppliers are putting pressure on a finite premium fuel supply locally. There is also evidence of failure by routine analysis to pick up contaminants. A representative sampling and testing system should ensure that buyers are best protected in the event of a quality dispute.



#### Top tips

Undertake due diligence on the bunker supplier – who is the contractual counterparty: supplier or trader? How long have they held their licence? Are there any past reported problems with the counterparty?

- Review the bunker supply agreement and be aware of the short time bars for claims against the suppliers.
- During bunker supply operations, ensure close monitoring and precise record-keeping to ensure that good-quality routine evidence is gathered.
- In the event of a bunker dispute, notify the club early so that non-routine evidence gathering can be undertaken proactively and effective notices can be issued to protect the member's position.

#### Quantity

Bunker quantities supplied should match the BDN's figures. An expert, independent surveyor is a useful aide to the chief engineer in monitoring quantities supplied, especially through their knowledge of the barges' cargo tanks' calibration scales. As of August 2013, there are 61 accredited bunker survey companies in Singapore and the MPA recommends that they are engaged pre-delivery to undertake monitoring and compliance to ensure suppliers are fulfilling their SS600 and SS524 obligations.

Industry malpractices do continue globally. Buyers should look out for the use of inaccurate or false measuring devices and added contaminants such as water and air frothing. For example, water may be mixed with the bunkers just before the bunkering takes place.

#### Club assistance

According to the Singapore Shipowners Association, there were only 32 reported bunker disputes in 2011 out of some 37,573 ships bunkering in the port. Whilst these figures demonstrate the relative rarity of bunker disputes in Singapore, risk does nonetheless remain. Where bunker disputes do arise, the club's managers, with local claims staff support, are well positioned to respond promptly in appointing surveyors and other experts to gather evidence to best protect members' interests in any future bunker dispute.

#### The future...

With the new, Jurong Island-based, LNG terminal coming online this year, Singapore is well-positioned to diversify its bunker fuel market through the supply of LNG as a marine fuel, which is expected to start in 2015. This diversification will support Singapore's position as a regional bunkering hub. Whilst Singapore's regulatory environment and its innovation in the field of bunker supply are to be praised, owners, charterers and operators should always be aware of bunker dispute risk, which if managed proactively can be reduced and or eliminated at an early stage.