
FACT SHEET

IMO 2020 IS GHANA READY?



The Ghanaian Perspective

THE GHANAIAN PERSPECTIVE

IMPLICATIONS FOR GHANA'S OIL & GAS INDUSTRY AND THE ECONOMY

RECOMMENDATIONS FOR GOVERNMENT

The International Maritime Organisation (IMO) in 1973 agreed on measures to prevent pollution from marine and shipping operations, i.e. the MARPOL Convention. Subsequently in 2016 a decision for a global 0.5% sulphur cap taking effect from January 2020 was made.

Globally the marine sector in compliance with the new IMO rule will require the sector to reduce sulphur emissions by over 85%. Vessels will have to switch from using High Sulphur Fuel Oil (HSFO) to compliant fuels such as Low Sulphur Fuel Oil (LSFO). Enforcing MARPOL 2020 is expected to impact the demand and supply of petroleum and petroleum products. Whether a nation gains or loses depends on the type of crude produced, the existing infrastructure and the willingness towards infrastructure expansion.



In preparing for MARPOL 2020, Ghana's Ministry of Energy (MoE) constituted a committee of key stakeholders in 2018 to review the implications of the new IMO rule. The committee comprised of National Petroleum Authority (NPA), Ghana Maritime Authority (GMA), Ghana Ports & Harbours Authority (GPHA), Association of Oil Marketing Companies (AOMCs), Environmental Protection Authority (EPA), Ghana Statistical Authority (GSA) and the MoE.

The committee was also tasked with recommending technical, regulatory, policy and operational interventions for Ghana to be optimally prepared.

Implications for Ghana's Oil & Gas Industry and Economy



Market Implications:

Sweet crude (which is low in sulphur) oil is expected to increase in demand relative to heavy crude.

Refinery margins will be impacted.

Differentials between heavy crude and light crude shall widen, with the price of light crude increasing.

Prices of gasoil, gasoline and LPG are projected to increase.

The price of LSFO is expected to rise while that of HSFO will decrease, widening the price differentials.

Asphalt prices are also projected to go down as they are bench marked to HSFO prices.

Implications of Freight Costs:

The switch from HSFO use to compliant fuel will result in an upward pressure on freight rates. Major shipping lines Maersk and Hapag-Lloyd expect to incur additional cost (annually) of USD 2bn and USD 1bn respectively.



Recommendations for Government

The IMO stakeholder committee (which the CBOD is part of) recommends that Government;

[Bullish outlook on LSFO prices]

- promotes investments in LSFO shore bunkering infrastructure to make Ghana the primary refueling hub in West Africa,
- develops a functional regulatory framework for the export and offshore bunkering for LSFO,
- promote the retooling of local refining floors, such that production is biased towards higher value products (middle distillates and LSFO)

[Bearish outlook on HSFO prices]

- promote HSFO use as an alternate fuel source to gas instead of LCO- power plants switch to HSFO to reduce production costs.

[Bearish outlook on Asphalt prices]

- prioritizes asphalt (as prices are expected to drop) for road construction and reviews asphalt price assumptions to impact pricing of road contracts.

[Bullish outlook on gasoil, gasoline and LPG prices]

- considers using the increase in revenue obtained from the sale of crude oil to offset the negative impact on ex-pump prices downstream in periods of high crude oil prices.

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