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Changes in marine fuel sulfur limits will affect global oil markets

International regulations limiting sulfur in fuels for ocean-going vessels, set to take effect in January 2020, have implications for vessel operators, refiners, and markets. The 2020 rules apply across multiple countriesâ?? jurisdictions to fuels used in the open ocean, representing the largest portion of the approximately 3.9 million barrel per day global market, according to the IEA.

The 2020 reduction in sulfur limits follows a series of similar reductions in marine fuel limits, such as those that reduced sulfur content of marine fuels in IMO Emission Control Areas from 1.0% to 0.1% in 2015. Other areas in Europe and parts of China have adopted similar sulfur restrictions. Vessel operators have several choices with the new IMO sulfur limits. One option is to switch to a low sulfur fuel. However, the cost, widespread availability, and specifications of a new fuels is still uncertain.

Another option is to use scrubbers to remove pollutants from shipsâ?? exhaust, allowing them to continue to use higher-sulfur fuels. However, the process of installing scrubbers can be costly and can increase a shipâ??s operating costs. Even if scrubbers become widely adopted, the price and availability of higher-sulfur fuels after 2020 remains uncertain.

Ships also have the option to switch to nonpetroleum-based fuels. Some newer ships and currently being built have dual-fuel engines that can use nonpetroleum-based fuels such as LNG after minimal modifications. However, the infrastructure to support use of LNG as a shipping fuel is limited.

Source/ read more: EIA <https://www.eia.gov/todayinenergy/detail.php?id=37793&src=email>