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The International Maritime Organisation (IMO) rules on sulphur in fuel oil for shipping and the effect on Africa

Synopsis

The 2020 International Maritime Organisation (IMO) Fuel Sulphur Regulation comes into effect from I January 2020. The new regulation provides a 0.5% global sulphur cap on fuel content, lowering from the present 3.5% limit. This new cap is part of the IMO's response to heightening environmental concerns, contributed in part by harmful emissions from ships.

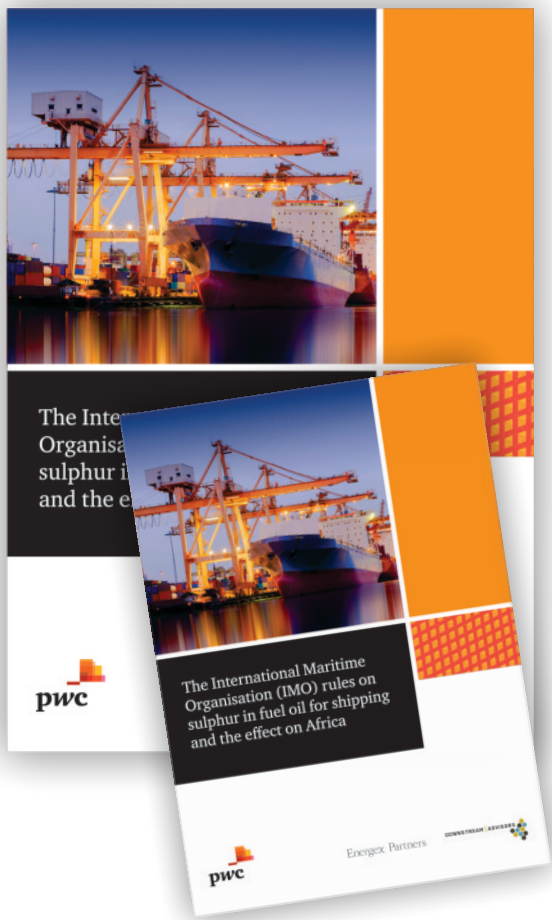
The implications of this new regulation for refiners, shippers and other stakeholders in the industry is far- reaching. While marine fuels account for only about 4% of global oil demand, the IMOs regulations changing the quality of shipping fuel will have a global effect on oil prices. Indeed, the new rules potentially add billions of dollars of cost to Africa. The rising price of fuel for shipping will raise the delivered cost of imports and depress those of exports. As Africa is a significant importer of Automotive Gas Oil (AGO) / Diesel, and Gasoline, it has exposure to rising prices resulting from the change in refining activity needed to meet the new regulations.

The impact of the new regulations on the African oil sector will be profound given the mix of lower and higher sulphur in oil production in some places. Compared to the global average, there are generally less complex refineries in Africa; there are government subsidies for road-fuel; there is a higher dependence on imported fuels (which are expected to increase in price); and a higher proportion of power generation fed by high sulphur fuels. The challenges posed by the new regulations must be understood and prepared for by all those affected.

Many industry experts and researchers have written on the impact of the regulations from various perspectives with very little detail on the impact on Africa. PwC Nigeria in partnership with Energex Partners and Downstream Advisors Inc. has developed a detailed Africa-centric report examining the impact of the regulation on the continent and considering key actors in the market viz producers, refiners, consumers, governments, industries among others.

This 58 page report contains rigorous in-depth analyses of the wins and possible losses Africa stands to make as a result of the regulation. It also discusses the challenges, key considerations and strategic imperatives for each player in the African oil and gas industry.

It will make an important document for policy makers and players in the industry as they prepare for the new regime.



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