

WORLD



BUNKERING

THE OFFICIAL MAGAZINE OF IBIA

ARE WE READY?

GETTING OUR DUCKS
IN A ROW FOR IMO 2020



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GREAT POTENTIAL

As a producer of low sulphur crude oil and LNG located across some of the world's busiest shipping lanes, Indonesia could be one of the big players on the global bunker scene

Indonesia attracted international attention in July and August when its Transportation Ministry's director of shipping and maritime affairs, Sudiono, first said the country would not enforce the IMO 0.50% sulphur limit on its large domestic fleet. He explained that production of marine fuel with a maximum 3.5% sulphur content by state-owned oil major Pertamina was still high, at 1.9 million kilolitres a year, and it would continue to be used for power generation and shipping.

Within weeks he performed a U-turn and said the country would indeed comply. In his second statement Sudiono stressed that the limit would apply to "all Indonesian-flagged vessels starting 1 January 2020, both for domestic and foreign shipping". Reuters reported that the second statement was accompanied by a request to the state oil company Pertamina to increase supply of low-sulphur marine fuel in the country's main ports.

In mid-November Indonesian online newspaper Kontan reported the country's oil and gas industry was starting to prepare to meet the new regulation. The director of major fuel logistics company AKR Corporindo Suresh Vembu was reported as saying that his company was ready to supply compliant fuel. But he added that, "unfortunately", he could not be sure there would be sufficient demand from the shipping industry. AKR itself operates a fleet of 12 tankers and barges on domestic trades.

In the same article marine services company and offshore support vessel operator Logindo Samudramakmur's company secretary Adrianus Iskandar admitted that the company was still studying the requirements of the new regulation. He added that buying compliant bunkers would depend on the charterers.

Compliance with the 0.50% sulphur limit will, however, only be a temporary distraction. On paper Indonesia ought to be a major bunker player, with several ports well placed to tap into the global market, as Kassim Gokal, Sulawesi Bunker Terminal's (SBT) commercial director explained to World Bunkering.

He noted: "The Indonesian Archipelago consists of about 17,000 Islands, stretching from the Indian Andaman and Nicobar Islands in the West all the way to Papua New Guinea in the East. The country and its waters cover three time zones over a distance exceeding 3,000 sea miles. The Indonesian Islands form almost a geographic picket line between Australia and the remainder of Asia and China. Most of the sea traffic between Australia and North Asia has to pass through the Islands and IMO has therefore designated three Archipelagic Sea Lanes (ASLs) to allow freedom of transit through Indonesian waters. The number of ships using the ASLs is very high, and if we apply bunkering basics in terms of volume, locations and choke points, the prospects for bunker business would seem obvious.

However bunkering opportunities for international transit traffic have not yet been taken advantage of.

"Pertamina has its main mission to supply the whole country of 34 provinces and 260 million people with adequate fuel, through a network of agents, distributors and sub distributors. Physical delivery of the fuel is handled via this network which are private companies of varied capacity, including petrol station owners. Bunkering is also done via their agents, which are assigned specific areas and ports to operate.

"In addition, Pertamina is responsible for distribution of subsidised fuel to the general population, where the price of subsidised diesel to the public is 50% of the price for industrial buyers and for shipping. This price difference creates a major risk of illegal activity and is therefore monitored strictly both on land and at sea, by the coast guard and other authorities. The focus of bunker agents is on supply in their respective areas and presumably on dealing with all the above matters. Licensing for fuel trading for the private sector was opened up some time ago, but the procedures which involve approval of several ministries and local authorities are cumbersome.

"Those who have succeeded to obtain the license are mainly concerned with local supply to their own industrial activity such a factories or mine sites.



SBT was established in 2017 with the main purpose of development of a bunker business to cater to local shipping and to international vessels in transit. SBT was successfully fully licensed in August 2019 and is in the process of setting up operations, which will concentrate on ASL 2, which is formed by the Makassar Strait and Bali-Lombok Channel. This sea lane is utilised by capesize bulk carriers and VLOCs on the iron ore route from Australia to China and North Asia, which is the biggest bulk shipping trade in the world today, of about 750 million tonnes per year. The Makassar Strait is also used by the large number of coal vessels loading from Kalimantan going North. SBT will be placing a floating storage facility at Donggala port, near Palu on the Makassar Strait, and use bunker barges to supply to ships in transit. SBT plans to initially stock and supply MGO and then VLSFO at a later stage, which will probably be imported for supply to foreign flag vessels. SBT is fully prepared to cooperate and participate with international bunker and shipping companies who have interest to develop this opportunity.

“With the advent of IMO 2020 regulations, Indonesia is reportedly facing some issues due to production capacity of the new fuel. While Indonesia does produce sweet, low sulphur crude oil, of which residue is a good base for the new fuel, it seems there might be delay before enough comes on stream.

“The government has announced its readiness to provide a quantity of 380,000 kilolitres per year of VLSFO, equivalent to about 330,000 tonnes per year which will not fulfil the demand. Perhaps remaining demand will be filled by MGO / biodiesel production which is already being used by the large number of tugs, barges and small craft in operation. Pertamina refineries also produce a large quantity of HSFO which is also used on shore. Pertamina has made an agreement with trader Freepoint to develop their large storage tanks at Sambu Island for VLSFO blending and storage however this product is likely to be destined for the Singapore bunker market.”



Kassim Gokal

PT. SULAWESI BUNKER TERMINAL

Indonesian Independent Bunker Company
to start supply operations in January 2020.



- Strategically located in the Makassar Strait offering barge supply at anchorage.
- Ideally positioned for Australia – Asia iron ore route and Kalimantan coal loaders.
- Floating storage position at Donggala port, gulf of Palu, Central Sulawesi.
- MGO supply ex barges available by January 2020, and vlsfo supply during q2-2020.

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We have also acquired a 15% stake in H.Savy Insurance Co. Ltd based in Seychelles during the year 1996, which was subsequently increased to 20% in 2005.

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PT. Sulawesi Bunker Terminal (SBT) based in Jakarta was established with the main aim of providing an International standard bunkering service for vessels calling or transiting through Indonesia. SBT was fully authorized by the Energy Ministry on 20th August 2019, receiving the National Fuel Trading License (INU) and approval to set up a private floating bunker storage and supply operation located at Donggala port, Central Sulawesi province.

Donggala is at the mouth of the Gulf of Palu, on the Makassar Strait, which is a main sea route through the Indonesian archipelago. The Strait is deep and wide and large Capesizes and even the 400,000 dwt Chinamaxs with Iron Ore from Brazil are transiting the Lombok Channel then through the Makassar Strait, passing Donggala en route to China.

Capes on the West Australia / North Asia Ore trade, as well as Coal loaders ex Kalimantan regularly use the Strait, but there has been no recognized International standard bunker service available to support commercial maritime traffic in this important sea lane.

The only established bunker provider in Indonesia has been state owned Pertamina, which uses its local agents to handle physical delivery within ports. Now SBT has entered as one of the first fully licensed private companies to concentrate on the bunker sector. As an IBIA member, SBT hopes to have a high standard operation in line with Singapore procedures. SBT aims to offer bunker supply to ships in transit on an efficient and competitive basis minimizing delays and extra costs that often occur in Indonesia.

SBT plans to commence supplying MGO ex barges in January 2020 and then VLSFO supply in Q2-2020. SBT will be happy to provide details and is open for cooperation with the bunker industry and shipping companies at this strategic bunker location in the Makassar Strait.

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