



CHINA RE

华泰保险经纪有限公司

HUATAI INSURANCE AGENCY & CONSULTANT SERVICE LTD.

Circular Ref No.:PNI1907

Date: 14 November, 2019

Dear Sir/Madam,

Subject: Guidance on “Implementation Scheme of 2020 Global Marine Fuel Oil Sulphur Cap” announced by China MSA on 23 October 2019

In order to effectively implement the IMO’s global regulations on sulphur cap from 1 January 2020, according to “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China”, “Regulation on the Prevention and Control of Vessel-induced Pollution to the Marine Environment” etc. relevant laws & regulations, “International Convention for the Prevention of Pollution from Ships” concluded by the People’s Republic of China and requirements of “Implementation Scheme of the Domestic Emission Control Areas for Atmospheric Pollution from Vessels”, China MSA formulates “Implementation Scheme of 2020 Global Marine Fuel Oil Sulphur Cap” (Hereinafter referred to as “the Scheme”).

I. The specific requirement of the Scheme applicable to foreign ships mainly includes the following contents:

1. Requirements for using and carrying of fuel oil as well as alternative measures

We summarized the requirements for using and carrying of fuel oil[®] as well as alternative measures while ship enters Chinese waters in below table:

| Type | Emission control area ^② | | | Non emission control area | |
|---------------------------------|---|--------------|---|---------------------------|---------------|
| | Coastal control area ^③ | | Inland river control area ^④ | Coastal waters | Inland waters |
| | Sea area in Hainan waters | Other waters | | | |
| International ship ^⑤ | From 1 Jan, 2020, use fuel oil with sulphur content not exceeding 0.50% m/m (Hereinafter referred to as “Compliant Fuel Oil”) | | | | |
| | From 1 March 2020, not carry self-use fuel oil with sulphur content exceeding 0.50% m/m (Hereinafter referred to as “Non-compliant Fuel Oil”) | | | | |
| | From 1 Jan 2022, not exceeding 0.10% m/m | -- | From 1 Jan, 2020, not exceeding 0.10% m/m | -- | -- |
| Ship | Shall not discharge effluent from the exhaust gas cleaning system (EGCS) with open loop systems | | | -- | |

2. Requirements for reporting of information about ships’ use and carriage of fuel oil

From 1 January 2020, if a foreign ship is unable to obtain compliant fuel oil so that she has to use or carry non-compliant oil, she should submit the FONAR to the local maritime administration before she enters Chinese waters if her next port is a Chinese port.

3. Requirements for disposal of ships’ non-compliant fuel oil

From 1 March 2020, if international ship carries non-compliant fuel oil in Chinese waters in breach of relevant requirements, according to IMO’s

“Port State Control Guide on Emergency Measures for Resolving Non-compliant Fuels” (MEPC.1/Circ.881), the ship can either discharge the non-compliant fuel oil, or under maritime authorization’s approval, retain the non-compliant fuel oil on board after providing a letter of commitment regarding not to use the non-compliant fuel oil in Chinese waters.

The international ship which decides to discharge the non-compliant fuel oil should report the operation to the local maritime authorization and implement the necessary safety & pollution prevention measures in accordance with relevant provisions on the bunker supplying and receiving operation in “Administrative Provisions of the People’s Republic of China on the Prevention and Control of Marine Environmental Pollution by Vessels and Their Operations”&“Provisions of the People’s Republic of China on the Administration of the Prevention and Control of Vessel-Induced Pollution to the Inland Water Environment”.

4. Supervision and control

Local maritime authorization should conduct site inspection to international ship in accordance with their internal site supervision and management guide.

Moreover, local maritime authorization could carry out supervision and inspection through sampling & testing of marine fuel oil, for determining whether the sulphur content of marine fuel oil exceeds the standard according to IMO’s “Early Application of the Verification Procedures for a MARPOL Annex VI Fuel Oil Sample” (MEPC.1/Circ.882) and subsequently effective provisions of amendment to Annex VI of MARPOL.

As for the ship which is in breach of the regulation, maritime authorization should give corresponding treatment in conformity with “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China” etc. relevant laws & regulations and requirements

mentioned in the Scheme.

Local maritime authorization will verify the completeness and truthfulness of the submitted FONAR and then give corresponding treatment in conformity with requirements mentioned in the Scheme.

II. Information obtained from our channel

(1) Format of FONAR is free translated from APPENDIX 1 of “2019 GUIDELINES FOR CONSISTENT IMPLEMENTATION OF THE 0.50% SULPHUR LIMIT UNDER MARPOL ANNEX VI” (MEPC.320(74)). As for channel of submission, we understand that the MSA (maritime authorization) will announce later.

(2) We understand that the MSA will issue an internal Guidance on the enforcement of the Scheme by the end of the year. Currently, MSA officer will check ship’s certificates, bunker delivery note, test report of oil & oil record book etc. and randomly take samples of oil for testing content of sulphur by portable device during site inspection. Moreover, we understand that the MSA will issue an internal Guidance on the enforcement of the Scheme by the end of the year.

(3) Maritime authorization mainly conducts enforcement and punishment basing on the stipulation in Article 63 & 103 of “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China” as follows:

Article 63 Vessels with direct access to inland rivers and river-seas shall use regular diesel that meets the prescribed standards. Ocean-going vessels shall use marine fuels that meet the atmospheric pollutant control requirements after reaching a port.

New docks shall plan, design, and build shore-based power supply facilities, and existing docks shall gradually renovate their shore-based power supply facilities. Vessels shall give priority to shore power in use of power.

Article 106 Where a violator of this Law uses marine fuels that fail to meet the prescribed standards or requirements, the marine safety administration or fishery administrative department shall, according to its duties, impose a fine of not less than

CNY10,000 but not more than CNY100,000.

No official benchmark for the discretionary determination of penalty against violation of Article 106 is issued so far, but Maritime authorization will take account of following facts (including but not limit to) when deciding the amount of fine:

- a. GT of the ship
- b. Size of out of sulphur cap
- c. Frequency of exceeding the standard

III. Recommendation

Basing on the above, we would like to give our recommendations as follows:

AA. Ship should meet the requirements mentioned in “Implementation Scheme of 2020 Global Marine Fuel Oil Sulphur Cap” when entering Chinese waters in line with the required timeline.

BB. Optimize route for bunkering at large port to ascertain the quality of fuel oil.

CC. Before entering into port, ensure that all documents related to MARPOL Annex VI are complete and up-to-date.

DD. Make preparation for cleaning tank & spare tank in advance.

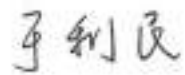
EE. Keep all documents supporting the alternative measures adopted by ships meet with the equivalent requirements set out in Article 4 of MARPOL Annex VI on board.

FF. Train the crew, especially the management company, the master and the chief engineer shall be familiar with the circumstances under which FONAR can be used, how to prepare and fill in the FONAR (in particular, relevant evidence of striving to obtain compliance fuel), and the FONAR

is submitted to whom.

We hope the above is of assistance. Any query, please feel free to contact us.

Best regards,

Handwritten signature in Chinese characters: 于利民

Yu Limin

President

Note:

① “Fuel Oil” in this scheme refers to the oil that is delivered to the ship to combust for propulsion or operation, including both distillate fuel oil and residual fuel oil.

② The Domestic Emission Control Areas for Atmospheric Pollution from Vessels (hereinafter referred to DECAs) include both the coastal control area and the inland river control area.



Figure 1 Geographic Scope of the Emission Control Area

③The coastal control area covers the sea area enclosed by the 60 coordinates listed in Table 1, and the sea area in Hainan waters is enclosed by the 20 coordinates listed in Table 2.

Table 1 Coordinates of the Boundary Control Points in the Coastal Control Area

| No. | Longitude | Latitude | No. | Longitude | Latitude |
|-----|---------------|--------------|-----|---|--------------|
| 1 | 124°10'06.00" | 39°49'41.00" | 31 | 112°50'52.80" | 21°22'25.68" |
| 2 | 122°57'14.40" | 37°22'11.64" | 32 | 112°29'20.40" | 21°17'12.48" |
| 3 | 122°57'00.00" | 37°21'29.16" | 33 | 111°27'00.00" | 19°51'57.96" |
| 4 | 122°48'18.00" | 36°53'51.36" | 34 | 111°23'42.00" | 19°46'54.84" |
| 5 | 122°45'14.40" | 36°48'25.20" | 35 | 110°38'56.40" | 18°31'10.56" |
| 6 | 122°40'58.80" | 36°44'41.28" | 36 | 110°37'40.80" | 18°30'24.12" |
| 7 | 122°24'36.00" | 36°35'08.88" | 37 | 110°15'07.20" | 18°16'00.84" |
| 8 | 121°03'03.60" | 35°44'44.16" | 38 | 110°09'25.20" | 18°12'45.36" |
| 9 | 120°12'57.60" | 34°59'27.60" | 39 | 109°45'32.40" | 17°59'03.12" |
| 10 | 121°32'24.00" | 33°28'46.20" | 40 | 109°43'04.80" | 17°59'03.48" |
| 11 | 121°51'14.40" | 33°06'19.08" | 41 | 109°34'26.40" | 17°57'18.36" |
| 12 | 122°26'42.00" | 31°32'08.52" | 42 | 109°03'39.60" | 18°03'10.80" |
| 13 | 123°23'31.20" | 30°49'15.96" | 43 | 108°50'42.00" | 18°08'58.56" |
| 14 | 123°24'36.00" | 30°45'51.84" | 44 | 108°33'07.20" | 18°21'07.92" |
| 15 | 123°09'28.80" | 30°05'43.44" | 45 | 108°31'40.80" | 18°22'30.00" |
| 16 | 122°28'26.40" | 28°47'31.56" | 46 | 108°31'08.40" | 18°23'10.32" |
| 17 | 122°07'30.00" | 28°18'58.32" | 47 | 108°28'44.40" | 18°25'34.68" |
| 18 | 122°06'03.60" | 28°17'01.68" | 48 | 108°24'46.80" | 18°49'13.44" |
| 19 | 121°19'12.00" | 27°21'30.96" | 49 | 108°23'20.40" | 19°12'47.16" |
| 20 | 120°42'28.80" | 26°17'32.64" | 50 | 108°22'45" | 20°24'05" |
| 21 | 120°36'10.80" | 26°04'01.92" | 51 | 108°12'31" | 21°12'35" |
| 22 | 120°06'57.60" | 25°18'37.08" | 52 | 108°08'05" | 21°16'32" |
| 23 | 119°37'26.40" | 24°49'31.80" | 53 | 108°05'43.7" | 21°27'08.2" |
| 24 | 118°23'16.80" | 24°00'54.00" | 54 | 108°05'38.8" | 21°27'23.1" |
| 25 | 117°50'31.20" | 23°23'16.44" | 55 | 108°05'39.9" | 21°27'28.2" |
| 26 | 117°22'26.40" | 23°03'05.40" | 56 | 108°05'51.5" | 21°27'39.5" |
| 27 | 117°19'51.60" | 23°01'32.88" | 57 | 108°05'57.7" | 21°27'50.1" |
| 28 | 116°34'55.20" | 22°45'05.04" | 58 | 108°06'01.6" | 21°28'01.7" |
| 29 | 115°13'01.20" | 22°08'03.12" | 59 | 108°06'04.3" | 21°28'12.5" |
| 30 | 114°02'09.60" | 21°37'02.64" | 60 | The end of the center line of the main waterway of the Beilun River toward the sea side | |

Table 2 Coordinates of the Boundary Control Points in Hainan Waters

| No. | Longitude | Latitude | No. | Longitude | Latitude |
|-----|---------------|--------------|-----|---------------|--------------|
| A1 | 108°26'24.88" | 19°24'06.50" | 33 | 111°27'00.00" | 19°51'57.96" |
| A2 | 109°20'00" | 20°07'00" | 34 | 111°23'42.00" | 19°46'54.84" |
| A3 | 111°00'00" | 20°18'32" | 35 | 110°38'56.40" | 18°31'10.56" |
| | | | 36 | 110°37'40.80" | 18°30'24.12" |
| | | | 37 | 110°15'07.20" | 18°16'00.84" |
| | | | 38 | 110°09'25.20" | 18°12'45.36" |
| | | | 39 | 109°45'32.40" | 17°59'03.12" |
| | | | 40 | 109°43'04.80" | 17°59'03.48" |
| | | | 41 | 109°34'26.40" | 17°57'18.36" |
| | | | 42 | 109°03'39.60" | 18°03'10.80" |
| | | | 43 | 108°50'42.00" | 18°08'58.56" |
| | | | 44 | 108°33'07.20" | 18°21'07.92" |
| | | | 45 | 108°31'40.80" | 18°22'30.00" |
| | | | 46 | 108°31'08.40" | 18°23'10.32" |
| | | | 47 | 108°28'44.40" | 18°25'34.68" |
| | | | 48 | 108°24'46.80" | 18°49'13.44" |
| | | | 49 | 108°23'20.40" | 19°12'47.16" |

④The inland river control area is the navigable waters of the main stream of the Yangtze River (from Shuifu, Yunnan to the mouth of the Liuhe River, Jiangsu) and the main stream of the Xijiang River (from Nanning, Guangxi to Zhaoqing, Guangdong), the coordinates of the starting and ending points are listed in Table 3.

Table 3 Coordinates of the Starting and Ending Points in the Inland River Control Area

| Inland river control area | Boundary name | Name of the location | Description of the location | Location No. | Longitude | Latitude |
|----------------------------------|----------------|----------------------------------|---|--------------|---------------|--------------|
| Main stream of the Yangtze River | Starting point | Shuifu Yunnan | Xiangjiaba Bridge | B1 | 104°24'30.60" | 28°38'22.38" |
| | | | | B2 | 104°24'35.94" | 28°38'27.84" |
| | Ending point | Mouth of the Liuhe river Jiangsu | Line connecting Liuheiwu in the lower reaches of the mouth of the Liuhe River and Shixin signal pole in the lower reaches of the Shiqiao River Chongming island | B3 | 121°18'54.00" | 31°30'52.00" |
| | | | | B4 | 121°22'30.00" | 31°37'34.00" |
| Main stream of the Xijiang River | Starting point | Nanning Guangxi | Minsheng Terminal of Nanning | B5 | 108°18'19.77" | 22°48'48.60" |
| | | | | B6 | 108°18'26.72" | 22°48'39.76" |
| | Ending point | Zhaoqing Guangdong | Line connecting Tiexianjiao, Jinli and Shangzui, Yongkou, Wudinggang on the trunk stream of the Xijiang River | B7 | 112°48'30.00" | 23°08'45.00" |
| | | | | B8 | 112°47'19.00" | 23°08'01.00" |

⑤If the alternative measures adopted by ships meet with the equivalent requirements set out in Article 4 of MARPOL Annex VI, above mentioned requirements should be exempted. The above “alternative measures” refer to the measures used by the ship to adopt any device, equipment or alternative fuel oil to enable the ship to achieve the same or better atmospheric pollution reduction effects as specified.