What's driving gas as a bunker fuel?

Interest in gas as a marine fuel continues to grow and it is North America where, perhaps, the greatest progress is being made in the development of ships powered by natural gas.

Canadian ferry services, a US containership operator and a work boat owner have all already invested in newbuildings while one Great Lakes trader is considering converting a lakes bulk carrier to burn gas. We are now expecting to see more ferry operators in North America go for LNG and it is highly likely that the Great Lakes will see significant investment in LNG-fuelled newbuildings as new ships are acquired for St. Lawrence Seaway and lakes seaborne trades.

Reflecting this interest, a consortium of North American west coast players has produced a very significant investigation into the potential for LNG as a marine fuel. The report by the West Coast Marine LNG Supply Chain Project is well worth reading (see coverage on page 16). Prepared for Transport Canada, one of its most significant conclusions is that, in North America, attractive pricing of LNG is going to be a major positive force to drive adoption of gas as fuel. Whether any price benefit is available globally remains the big question for the rest of the world.

So, in this report we review a major Canadian ferry operator's decision to go for gas and we share the answers to questions we put to Transport Canada about their approach as a regulator.

And what about the deep sea trades? Singapore is continuing to make investments in developing the capability to be an LNG hub, including provision of LNG bunkers. Lloyd's Register recently completed a significant piece of work to assist Singapore in getting to the point where gas bunkering could be a reality (page 18).

Major containership operator UASC has said that 18,000 teu newbuildings they have on order will be made 'gas ready' although their comments are still short of committing to gas-fuelled operations.

Generally, developments so far reflect our views of a likely trajectory for gas-fuelled investment: take-up focused on niche trades, trades located in emission control areas (ECAs) and point-to-point traders predominantly in ECAs, such as ferries and small containership operators.

The global expansion of LNG into the deep sea trades remains a relatively distant prospect – although large containerships, such as UASC's, on fixed routes needing one or two strategic bunkering opportunities remain the likely first movers. If a small network of facilities in Singapore, the middle east gulf and either Antwerp or Rotterdam can supply gas bunkers, the pieces could fall rapidly into place. The technology is ready – as LR's Clean Sky bulk carrier project with Golden Union and COSCO Shipyard has demonstrated.

What has yet to be developed is the infrastructure and a global market for gas. For now the fast moving action is in North America where they have pricing and can take advantage of existing or developing infrastructure at key locations. This is where we are seeing real evolution now across multiple ship types and conditions. But, as we demonstrated in our Global Marine Trends 2030 Report issued in April, future macro-economic, political and social drivers could change anything – different future global development scenarios will shape future global take-up of LNG. Watch this space – we'll have more on this soon.