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Oil price drop could lead to increased waste disposal costs

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A continuing build-up of unwanted oil waste in European ports could lead to port clearance delays or cost increases for waste disposal

THE value of slops, once a waste product for which waste management companies would pay to collect from ships at port, has plummeted in line with the oil price leading to storage shortages at some European ports.

Sources in the European waste management industry have warned that continuing low demand for oily waste and high costs for its disposal could lead to increased costs for the maritime industry through the introduction of charges for slops collection and disposal.

Composed of hydrocarbon-rich sludges produced in engine rooms through purifying fuels, bilge waters from various mechanical systems and oily ballast water and tank cleaning waters from tankers, slops are an industrial waste and by-product of operating vessels.

Depending on hydrocarbon content levels and presence of contaminants, slops are usually either sold to be burned in facilities such as cement kilns and blast furnaces, or to the oil processing industry to be refined into a fuel or blending product. Capacity exists in many ports for incinerating slops along with other waste, but its high calorific content makes oily waste unsuited for waste burners, and limits the amount they can process.

As the oil price has fallen since 2014, cement kilns and blast furnaces are increasingly using purer virgin fuels, reducing demand for slops. Where collectors would once pay ships for slops, the waste is now commonly collected with no charge.

Flemish Waste Agency OVAM policy advisor Peter Van Den Dries told Lloyd's List that a fuel switch at German electricity plants from oil to brown coal, and a tenfold reduction in demand over the past year from a German metallurgy concern, which previously used around 250,000 tonnes per annum, has significantly affected the recovered-oil sector.

"Slop collectors and treatment facilities therefore are currently seeking new options for the recovered oil, which in many cases also includes higher costs. Therefore they often cannot get rid of their stocks, leading towards capacity issues," said Mr Van den Dries.

Heavier fuels produce more sludge, and so the rise in the use of lighter fuels since the introduction of the northern European emissions control area has reduced the rate of slops production, but separating the ECA's influence from the effect of fleet renewal is difficult. Ships using low-sulphur heavy fuels still generate large quantities of sludge and vessels travelling outside of the ECA will carry slops from heavy fuels burned at sea.

According to a Belgian recycling industry representative, the use of mobile facilities such as barges makes it difficult to gauge the overall collection capacity at the port of Antwerp, but the most slops ever collected there in a year was 157,000 cu m.

Waste treatment facilities tend to have limited storage capacity as holding slops in stock is not profitable; finding necessary extra external storage for slops is made difficult by the necessity of a hazardous waste storage licence, and so is costly.

"The pressure is so high that collectors now call us to see if we can take their slops, as slops prices have decreased much more rapidly than oil prices and their tanks are full," said Ecoslops chief executive Vincent Favier.

Ecoslops is a company which processes oily waste into various grades of oil products from light bitumen through MDO and ISO 8217: 2010-compliant IFO 180 through distillation at its processing unit in Portugal.

Mr Favier said he was not expecting such a drastic change in the slops market, even as recently as December 2015.

As Ecoslops' raw material and product are both connected to the oil price, the company is largely insulated from the oil market's fluctuations. Despite being developed through a time of high oil prices, "we can still make money with an oil price of \$25", said Mr Favier.

Ecoslops is looking to expand and place units in other regions, initially focused in Europe.

A letter of intent has been signed with Grup Servicii Petroliere to establish a plant in the Romanian port of Constanta to serve the Black Sea, discussions are "very well advanced" with a port in the South of France, agreement in principle is in place for an Ivory Coast plant and investigations are underway for a north Europe facility in Rotterdam and/or Antwerp.

By putting plants closer to slop collection facilities, transport costs and emissions are reduced, further serving the company's environmental goals and profitability.

"It makes sense to build a unit in Rotterdam or Antwerp rather than importing slops from that region to Portugal. There is a huge potential for slops there, more than 250,000 tonnes of slops which are delivered every year. Our unit is processing 30,000 tonnes so we could put two or three in place."

Not all ports are suffering from tight slops storage availability, however. Gothenburg Port Authority senior manager for environment Edvard Molitor said that capacity at the port of Gothenburg is "more or less unlimited", due to having three refineries near by. "The amount of slops and a possible limit to the capacity of handling them has not been an issue as far as I know."

The port only gets involved with collecting small amounts of slops roughly once per month, with the rest passing through as any other cargo would. "It is really only by the cargo declaration that we as a port authority can see that we are slops rather than pure oil."



Low demand for oily waste and high costs for its disposal could lead to increased costs for the maritime industry.

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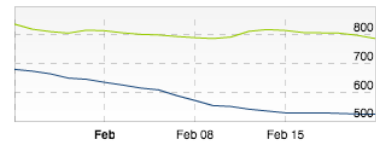
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