

GLOBALPANDI

Circular for P&I Clubs

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Correspondents for:

Britannia, British Marine, Carina, Charterers P&I Club, China P&I Club, EF Marine, GARD, Hydor, ITIC, Korea P&I Club, Nordisk Defence Club (Through Sabatino Pizzolante), North of England P&I Club, MS Amlin, Shipowners P&I Club, Skuld, The Standard P&I Club, Steamship Mutual, The American Club, The London P&I Club, Thomas Miller Specialty, West of England and Through Transport Club (TTC)

Status of the IMO 2020 Sulphur Cap in Venezuela

No specific provisions have been issued so far by the National Institute of Aquatic Spaces (INEA), in connection with the implementation of IMO Regulation 14.1.3 of Annex VI of the MARPOL Convention, which reduced the permissible limit of sulphur content of any fuel oil used on vessels to 0.5%. It should be noted that Venezuela has not ratified the annex in reference and at the moment, the ships trading in Venezuelan waters are using high sulphur fuel since there are no domestic suppliers of low sulphur fuel.

Despite the above, the National Executive through the Ministry of Petroleum has recently published in the Official Gazette No. 41,785 dated 19 December 2019, the Resolution No. 119 prescribing the new determination of prices of the royalties corresponding to the Republic for the extraction of liquid hydrocarbons, as well as for the coke and sulphur obtained from crude oil during the process of improvement or refining. Changes according to this Resolution are said to be based 1) On the necessity to adapt the pricing policy of hydrocarbons so that in accordance with the objectives of the “Plan de la Patria 2015-2025”, the positioning of Venezuelan oil formulas as price markers of the international hydrocarbons market is promoted; and 2) With occasion of the entry into force as from 1 January 2020 of environmental regulations limiting the sulphur content used in the maritime

transportation, the former representing a structural change affecting the international trade of liquid hydrocarbons.

It is not the intention of this Circular to go in depth on the content of the Resolution, but it is worth mentioning that royalties are now calculated based on the API grade and sulphur levels, also introducing separate formulas for the royalties depending on the destination market. Thus, article 7 states that the oil international markets for the determination and calculation of prices of the royalties are the United States Market (Gulf of Mexico), Caribbean Market, European Market and Far East Market (Asia). On the other hand, the Office for the Determination of Prices for Crude of Exportation will be in charge of the design of the pricing formulas for the Venezuelan crude of exportation. According to article 8 for the calculation of the royalty, taxes, participations, contributions and special advantages, the crudes of national reference for exportation will be classified as follows: Santa Barbara Crude Oil (38.3° API; 0.54% Sulphur), Mesa 30 Crude Oil (30.6° API; 1.01% Sulphur), Merey 16 Crude Oil (16.5° API; 2.50% Sulphur), Boscan Crude Oil (10.8° API; 4.80% Sulphur) and Extra Heavy Oil (8.50° API; 3.35% Sulphur).

Leaving aside the determination of royalties referred to, remarkably, in the last years the state-owned oil company PDVSA has not made any attempt to adjust its processes to lower the sulphur content in the marine fuels it produces and sells, a circumstance that will definitely affect its bunkering business, taking into account that low sulphur marine fuel oil is not available now in the domestic market.

Shipowners/Charterers are, therefore, advised to take the necessary precautions when calling at Venezuelan ports in order to carry enough quantities of low sulphur fuel, if they do not want to find themselves in a position where only non-compliant fuel is available. Fortunately, there are close alternative bunkering ports for low sulphur in the Caribbean area such as Curacao, through bunkering barges supplied by Curoil.

Our firm thanks the kind assistance of expert Capt. Oscar Rodriguez Luna for his assistance in the preparation of this Circular.

Should you need any assistance or further information regarding the topic stated above, please feel free to contact:

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