

# SUSTAINABILITY IN SHIPPING: WHAT HAS IT GOT TO DO WITH INSURERS?



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**It is well established that for shipowners and operators to meet the IMO 2030 and 2050 greenhouse gas targets (or indeed a company's pledge to be 'net-zero' by a specific time), changes will be needed in how vessels are designed, built and operated, explains Alvin Forster in SeaSense column, our special column in association with the North P&I Club.**

Unlike the 2020 sulphur cap, where owners were faced with a small number of options to achieve compliance (distillate fuels, VLSFOs, scrubbers and, to lesser extent, LNG), the road to lower CO2 emissions is destined to be far more complex. The options on how to reduce emissions are numerous, and there is no clear 'winner' that is favoured by shipowners. To complicate matters further, many of the proposed options are subject to an underdeveloped infrastructure.

As such, marine insurers must keep up with these technological developments in power generation and advancements in efficient ship operation. Each element of each solution present unique risks – many of which have not been previously considered. Quite simply, we have to understand the risks that shipowners and charterers will be exposed to by the introduction of new technology – we cannot get caught out through failing to spot a change in risk or an emerging risk.

For example, ammonia is widely mooted to be a significant fuel of the future – and while we have experience

of this substance in refrigeration systems and we are all familiar with the risks associated with its toxicity and flammability, we must undertake a thorough risk analysis when considering its application as a marine fuel.

The introduction of new fuels is likely to bring with it new technological solutions, and with any technology there is the human-machine (or human-system) interface to consider. Despite advances in technology, the human element remains as a significant contributory factor when things go wrong and lead to insurance claims. We are not just talking about bog-standard 'human error', but also 'error traps' where procedures are written or the system is built in such a way that a mistake is almost inevitable. This is why the industry needs to make sure that crews and vessel operators keep up with technological advancements.

The navigational incidents that were attributed to the incorrect use of ECDIS shows us that new technology cannot just be thrust upon the crew and expect them to deal with it. The same principle applies when installing dual-fuel engines, energy saving de-

vices, auxiliary means of power and changes in operational practices.

The challenges associated with new fuels and new tech aren't all operational. Each solution carries with it commercial risks that owners and charterers should be aware. Whether experimenting with low or zero carbon fuels or biofuel blends, installing power limitation devices or making efficiency improvements, it is very likely that co-operation between owners and charterers will be required and charterparties reviewed. A simple example is how you speed and performance warranties might be affected. Or which party is contractually liable for tank cleaning or for paying for the modifications needed for using the new fuel?

As a P&I Club, we encourage our Members to involve us in these processes. Our loss prevention team can help provide support on the operational and technological aspects, whereas our claims team and in-house lawyers help to make sure your contractual liabilities are addressed. In summary, there are some big changes ahead in ship design and operation – insurers need to know the risk.



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