

5 March 2018

Mr Frank Chan, JP  
Secretary for Transport and Housing  
Transport and Housing Bureau  
22/F, East Wing  
Central Government Offices  
2 Tim Mei Avenue  
Tamar, Hong Kong

Dear Secretary,

**Meeting the Growing Use of Liquefied Natural Gas  
as a Marine Fuel**

As you may already know, the International Maritime Organization has set a sulphur cap of 0.5% for shipping emission by 2020. This has been described by leading fuel suppliers as “*arguably one of the industry's most defining moments since the shift away from coal*”. In order to comply with this requirement that will take effect in less than 24 months, the shipping industry has started to search for viable options including the following to reduce sulphur emission.

- Burning cleaner bunker fuel;
- Fitting scrubbers; or
- Burning a different and cleaner fuel altogether (principally liquefied natural gas (“LNG”)).

In the run up towards 2020, we anticipate that shipowners may choose either to use cleaner fuels or fit scrubbers in their vessels. Ultimately, the way forward will depend on such considerations as whether their vessels are suitable for scrubbers, and whether the advantage of continuing the use of cheaper bunker fuel through retrofitting the scrubbers can outweigh the switching cost to an entirely new fuel system. However, if shipowners choose to adopt LNG<sup>1</sup>, their future choice of port of call will definitely be affected by whether such fuel or the bunkering facility is available at the port. Unless we are prepared to cater to this fuel switch, Hong Kong risks losing the capability to serve the new wave of LNG powered vessels including container ships of up to 22,000 TEUs.

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<sup>1</sup> A number of major cruise lines have ordered mega cruise liners that will be powered by LNG. It is estimated that there are some 17 such vessels on order and with the delivery of the first 183,900 Gross Tonnage vessel expected in December 2018. However, most of these ships are planned for deployment in Europe as that is where LNG bunkering facilities are available.

While many ports and groups<sup>2</sup>, including the Hong Kong Shipowners Association and the Kai Tak Cruise Terminal, are actively considering the future needs of becoming a LNG-ready port, we believe that Hong Kong should not wait but move quickly to ensure that we remain the most competitive shipping and logistics hub in Asia.

In urging the Government to speed up the provision of the requisite infrastructure, we would suggest that the following 3Ps will be key in enabling Hong Kong's port for bunkering LNG fuelled vessels:

- Physical Infrastructure: Ensure that suitable barge facilities and designated bunkering areas are in place;
- People: Determine whether sufficient trained personnel are available, and if not, what are the appropriate measures to increase supply; and
- Policies: Assess whether Government policies are conducive to the transport and transfer of fuels and if any incentives should be provided.

We note that the two power companies in Hong Kong are in active talks with the Government on the proposal of setting up the Hong Kong Offshore LNG Terminal, which will be based on Floating Storage and Regasification Unit ("FSRU") technology to receive, store and deliver LNG for local power generation. We suggest capitalising on this opportunity to include the installation of appropriate barge facilities and designated bunkering areas so that the FSRU could serve a variety of purposes including the provision of LNG as marine fuel to ships calling at Hong Kong.

The Chamber is pleased to work closely with the Government to support and sustain the competitiveness of Hong Kong's port. This includes the pursuit of a clean and sustainable environment in place where we work, do business, and call home.

Yours sincerely,



Shirley Yuen  
CEO

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<sup>2</sup> Including SEA\LNG, a multi-sector industry coalition (see <https://sea-lng.org/>) and the "LNG Bunkering Port Focus Group" formed by the Maritime and Port Authority of Singapore in 2014.