



SEMAPHORE

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Insurers Seek Regulatory Leadership on Alternative Fuels

International Maritime Organization (IMO) regulation and classification rules are key to ensuring the global shipping industry's safe transition to the use of alternative fuels, according to the International Union of Marine Insurance (IUMI).

While emphasising his association's unequivocal support of the sector's drive towards decarbonisation, IUMI president Richard Turner says his members are also wary of the potential risks associated with the use of new fuels such as ammonia and hydrogen.

"Collaboration between all parties in the supply chain will be key to achieving climate targets without disruption or incident," he says.

"It goes without saying that marine insurance is directly impacted by the opportunities and potential risks that come with efforts to decarbonise shipping, such as the introduction of new technologies or alternative fuels.

"Our job is to promote safety in the industry and currently there are no loss records available to assess the potential risks involved with some of these new technologies.

"Marine insurers and underwriters will therefore have a central role to play, by working to understand fully and manage all associated risks safely when helping shipowners transition to these new technologies and in being a reliable partner to our insureds and helping to educate our clients accordingly."

It is understood that work involving the IMO and other parties is underway to develop safety guidelines for the use of alternative fuels in shipping. IUMI is also calling for guidance to be developed on the education and training of crew onboard vessels using such fuels, as well as to address safe and environmentally-sound operations.

However, while embracing the development of such guidelines, IUMI policy forum chair Helle Hammer (pictured) is calling for prompt IMO regulation and class rules to provide mandatory governance over the safe transition to alternative fuels.

"This will ensure the safety of the crew and enable marine underwriters to assess and offer necessary financial protection for this new risk profile," says Ms Hammer.

"Environmentally-friendly fuels carry their own risks – ammonia is both toxic and corrosive, and hydrogen has a wide flammability range and ignites easily.

"Whilst we welcome the proposed safety guidelines as a useful starting point, they are



non-mandatory and so can only be an interim measure. We urgently need mandatory requirements to be developed and implemented to facilitate the transition to greener fuels.

“Mindful of the time it takes for new regulation to come into force, we urge IMO and other regulators to begin work now!”

Local Viewpoint

Holding Redlich partner Nathan Cecil (pictured) says the drive to alternative fuels will “undoubtedly” require the development of new infrastructure and revision of safe storage, handling and bunkering practices to address the “specific risks thrown up by the use of these fuels”.

“But, the shipping sector has proved itself to be a dynamic, solutions-focused sector that is, more often than not at the forefront of new technology and practices,” he told *Semaphore*.

“There is no reason to think that the sector will not rise to the occasion.”

However, Mr Cecil also observes that, as insurers are naturally risk-averse, “they will want to be comfortably satisfied that the use of such new fuels is safe”.

“Insurers should not be seen as a hand brake on the development of new, greener technologies. Rather, the focus on risk mitigation brought to bear by insurers contributes to ensuring that new developments are suitably safety-focused.

“This focus helps ensure that such new technologies are implemented with as little disruption as possible, which is in turn good for operators in the sector.”

He says that jurisdictions with a “mature safety approach” will invariably implement national standards for the safe transport, storage and handling of such fuels, “most likely informed by any international consensus or guidelines”.

“The fight for the future and the use of alternative fuels is inevitable. Industry, regulators and insurers must work together to chart a course for this voyage.”



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