

# Ocean carriers seek competitive edge in choice of green fuels



*ONE Sparkle was named at a shipyard ceremony in South Korea Friday, the first of a 20-ship order of 13,800-TEU methanol- and ammonia-ready vessels. Photo credit: Hyundai Heavy Industries.*

**Greg Knowler, Senior Editor Europe | Feb 14, 2025, 10:12 AM EST**

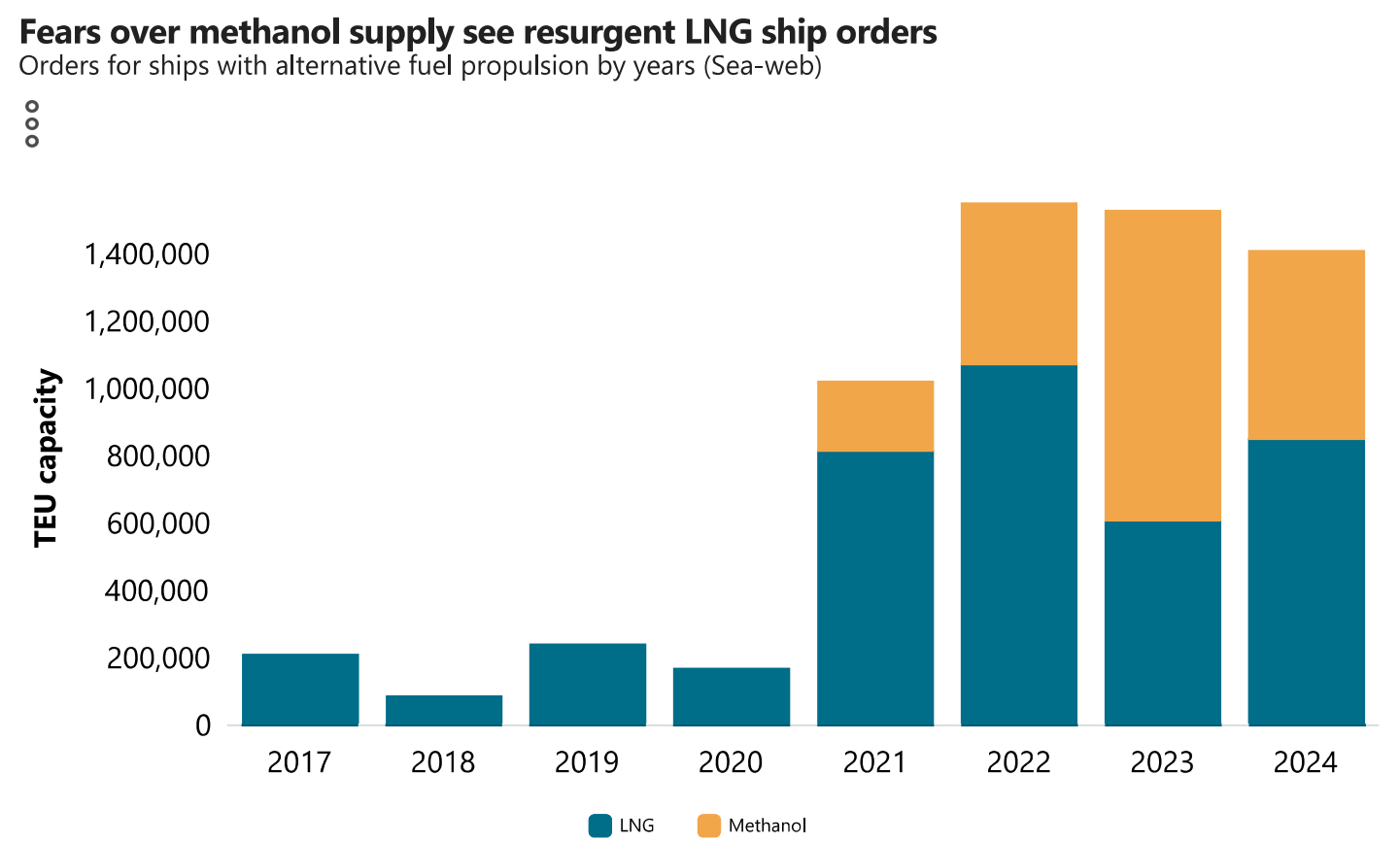
Choosing the right alternative fuel pathway is shaping up as a source of competition for ocean carriers during shipping's transition period from fossil fuels to greener options, shipping industry experts say.

Just how long that transition period will be remains unclear, but carriers are having to make their fuel choices now with the International Maritime Organization's (IMO's) interim emissions targets for 2030 fast approaching. Adding to the pressure on carriers are tightening regulations on CO2 emissions and fuel intensity that carry stiff penalties for non-compliance.

Bryan Wood-Thomas, vice president of environmental policy at the World Shipping Council (WSC), told the *Journal of Commerce* that carriers had entire departments devoted to bunkering purchases and strategy and looking at how far out to extend supply contracts.

“The baseline is an intensively competitive landscape, because you’re deciding who you’re going to buy fuel from on what contractual terms and over what period,” Wood-Thomas said.

The fuel choice by carriers — at least for now — is increasingly between liquefied natural gas (LNG) and methanol that together comprised 70% of the total 1.7 million TEUs in orders made in 2024, according to Sea-web, a sister company of the *Journal of Commerce* within S&P Global.



Source: S&P Global

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While methanol led the way in 2023, last year saw a resurgence in LNG-capable ship orders amid growing concerns over the availability at scale of methanol. Both LNG and methanol are produced from fossil fuels, but the intention is to gradually replace conventional LNG with more sustainable bio-methane and enable dual-fuel methanol ships to be ammonia-ready.

Despite significant challenges in using ammonia as a marine fuel because of high toxicity, it is beginning to feature on the order book. On Friday, Ocean Network Express (ONE) took delivery of the 13,800-TEU *ONE Sparkle*, the first of a 20-ship order for methanol- and ammonia-ready vessels.

## Surcharges ‘jealously guarded’

Peter Keller, chairman of maritime industry coalition SEA-LNG, said container shipping has always tried to protect currency and fuel from the volatility that governs those markets.

“We’ve had fuel surcharges and currency surcharges since the early days of containerization, and the industry has jealously guarded those because they don’t need external sources becoming competitive advantages or disadvantages,” Keller told the *Journal of Commerce*.

Competitive discussions around the price of fuel would continue as the industry moved down the pathway to greener energy sources, he said.

“In the transition period there will be no way to generate a fuel surcharge that’s going to protect different price advantages or price differences between fuels,” Keller said. “It might be able to be done on a regional basis in terms of individual trade lanes, but certainly not globally.”

As a trade body representing container shipping, the WSC is fuel agnostic, but Wood-Thomas said it was clear that conventional LNG would have its attraction “for a period.” The question carriers would need to figure out is how long that attractive period would be, with the next question focusing on the availability of bio-LNG and, ultimately, green methane.

“The investment value of LNG tonnage is the ability to convert over time to other fuels that may be your only choices in terms of compliance with a particular greenhouse gas [GHG] intensity standard,” Wood-Thomas said. “What is less certain about green methane is what the technical analysis [will] stack up to down the road.”

This uncertainty was highlighted in a recent report by Tristan Smith, professor of energy and transport at the London-based UCL Energy Institute. Smith noted that

shipowners were faced with the need to make huge investments in assets with a lifespan of over 20 years without a clear view of whether evolving regulations and technology would make those vessels obsolete.

“How does someone make a business case for something if it’s an applicable solution in the 2030s but doesn’t have any role in the 2040s?” he asked.

## Risks are increasing

Momentum is building behind a universal GHG price and a package of IMO mid-term measures to be rolled out this year. While the measures are aimed at strongly incentivizing the fuel transition, the risk facing shipowners as they choose fuel pathways is also increasing.

“At the point when it is beyond doubt that fossil fuel technologies — including LNG as a fuel — face rapid contraction, it will be too late for many to take corrective action,” Smith warned.

The IMO will be voting on mid-term measures that include a fuel standard and an economic pricing mechanism on carbon emissions at its Marine Environment Protection Committee (MEPC 83) meeting in April. Once approved, the IMO plans to implement the measures in October.

Wood-Thomas said the decisions made at the IMO will be “massively important” with the economic measure intended to narrow the price gap between current bunker fuels and the greener alternatives.

But he said for the transition to greener fuels to be effective, the IMO’s economic measures, whether direct carbon pricing or other mechanisms, needed to “actually enable the use of better, lower-emission fuels.”

“Merely narrowing the price differential doesn’t necessarily cut it,” Wood-Thomas said. “For example, if we’re looking at a \$1,500 per metric ton price on a particular fuel, and the measure cuts that gap by \$300, it doesn’t matter.

“Because you can’t run a vessel in a commercially viable manner if you are taking a \$1,200 hit for every ton of fuel you burn, especially if your competitors are able to exist on another fuel footing,” he added.

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