

SAMSA: NATIONAL WORKSHOP ON IMPLEMENTATION OF MARPOL ANNEX VI ON 0.5% SULPHUR LIMIT

Cape Town: 24th July 2019

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WHAT WE ARE GOING TO COVER.....

Anglo American and Shipping

An ongoing commitment to South Africa

MARPOL 2020 – Global Sulphur Limit

Cargo Owner's Perspective

ANGLO AMERICAN

Real Mining, Real People, Real Difference

Our portfolio of world-class competitive mining operations and undeveloped resources provides the metals and minerals to meet the growing consumer-driven demands of the world's developed and maturing economies.

With our people at the heart of our business, we use innovative practices and the latest technologies to discover new resources and mine, process, move and market our products to our customers around the world.

- Diamonds (De Beers)
- Copper
- Platinum Group Metals (PGMs)
- Iron Ore
- Coal (metallurgical & thermal)
- Nickel & Manganese



WHERE WE OPERATE

Our operating assets



- De Beers
- Iron Ore
- Copper
- Coal
- Platinum
- Nickel and Manganese

OUR PURPOSE IS TO.....

Re-imagine mining

What mining could be and how we envisage mining in the future. How we think differently and innovatively about mining and our entire value chain.

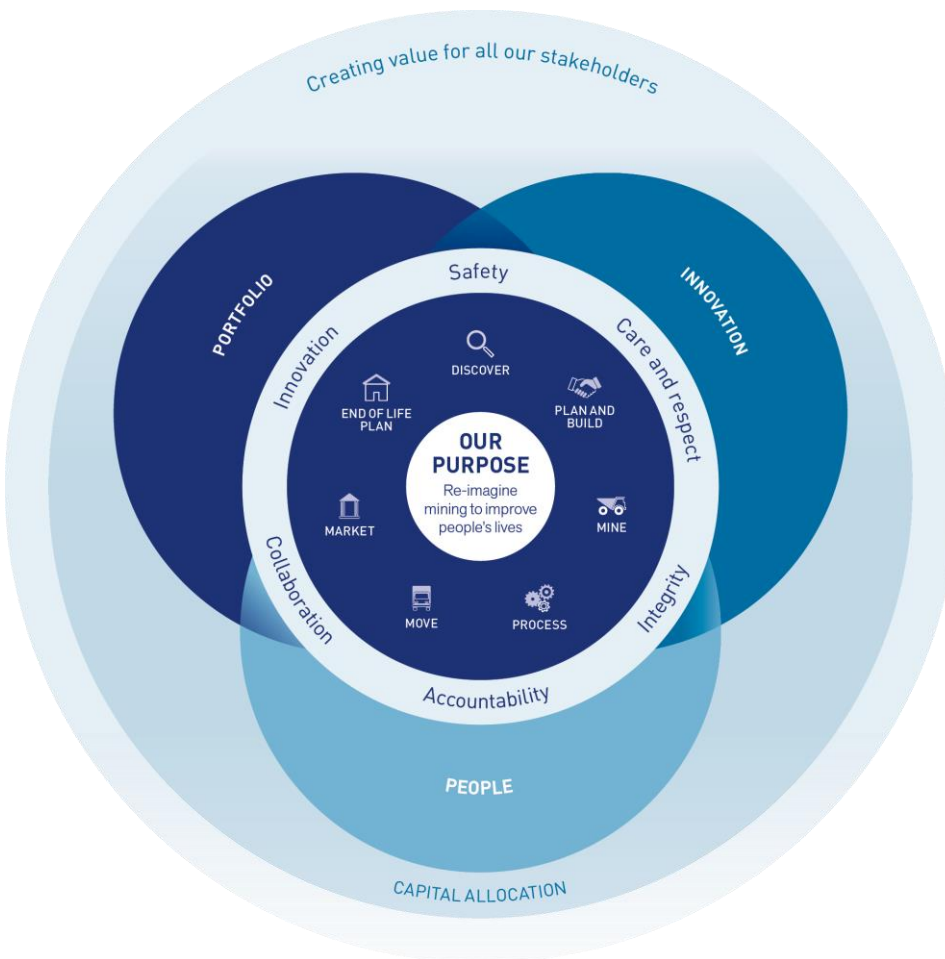
....to improve people's lives.

A Purpose is about more than just the work we do and the profits we make, it's about the impact we have on everything we touch.



OUR STRATEGY

Portfolio, Innovation, People



Portfolio

- High quality and long-life assets
- Differentiated portfolio with growth options
- Sustainable cash flow and returns

Innovation

- FutureSmart Mining™
 1. Technical innovation
 2. Operating Model
 3. Sustainable Mining Plan
- **Marketing – creating value from mine to market**

People

- Valuing partnerships – our licence to operate
- High performance, inclusive culture
- Organisation Model

SHIPPING

AN INTEGRAL PART OF OUR SUPPLY
CHAIN AND OFFERING TO
CUSTOMERS



MARKETING

Marketing is a core component of the Group operating model



A diversified portfolio presents us with options for maximising value. This means leveraging value at different points along the chain – from exploration to marketing – depending on the commodity.

OUR SHIPPING BUSINESS

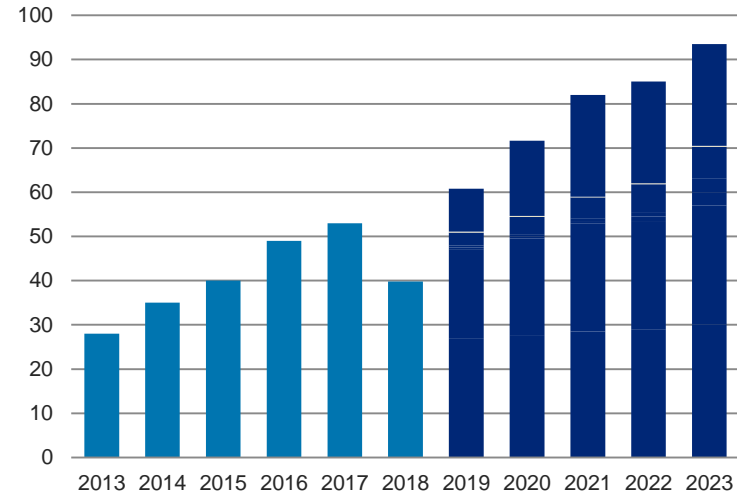
Provision of safe, reliable, and competitive freight to our business partners

The **ocean freight** function within our Group is critical to the overall **service offering** we make to our customers.

And is vital to ensuring we obtain **maximum return and performance from our investments**.

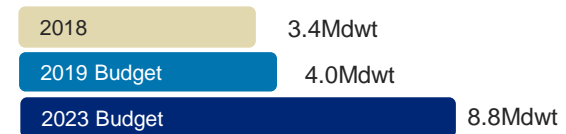
- The centralised and consolidated Shipping division within Anglo American was established in Singapore in 2012.
- Operating cargo flows from Brazil, South Africa, Chile, Australia, Indonesia and Columbia.
- Commercial ocean freight desk – where vessel ownership is not part of our strategy
- Focused on performing our task in a safe, sustainable and compliant way.

Projected Bulk Volumes
Anglo American Shipping (Mt)



Current Operating Fleet Size

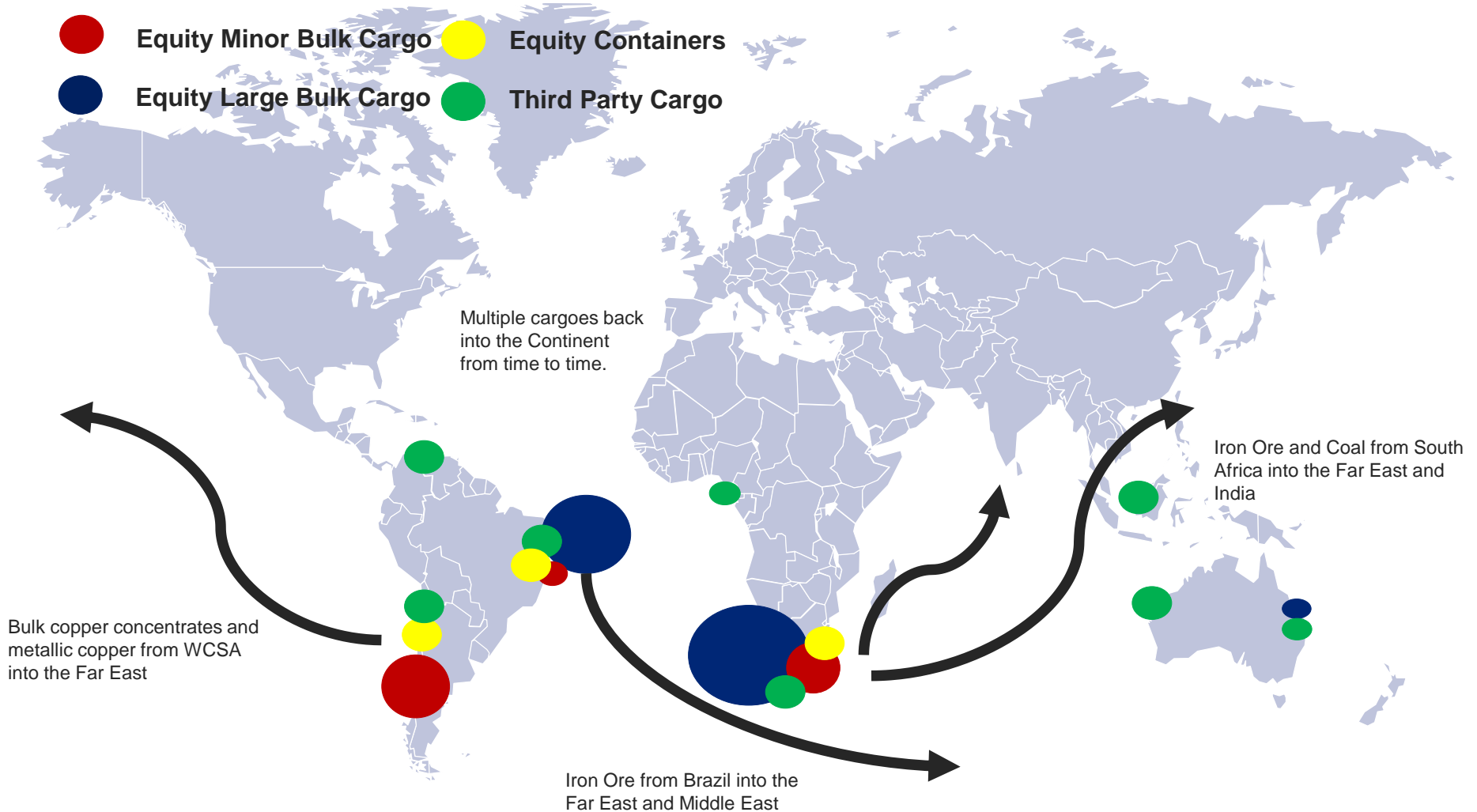
4.4Mdwt



OUR SHIPPING BUSINESS

Global and diverse trade routes

- Equity Minor Bulk Cargo
- Equity Containers
- Equity Large Bulk Cargo
- Third Party Cargo



OUR SHIPPING BUSINESS

The importance of contributing to the industry, society and our partners

Safety

Vision: To ensure our ocean freight activity is conducted in a safe manner – zero harm.



Sustainability

Vision: To operate our freight in a responsible and sustainable way; aligned with Group targets and regulations.



People

Vision: To engage with owners and operators to initiate positive change to seafarers – directly and indirectly.



SOUTH AFRICA

THE CONNECTION WITH SOUTH AFRICA IS EXTENDED TO OUR OCEAN FREIGHT ACTIVITIES



A PARTNER IN ADDRESSING CHALLENGES

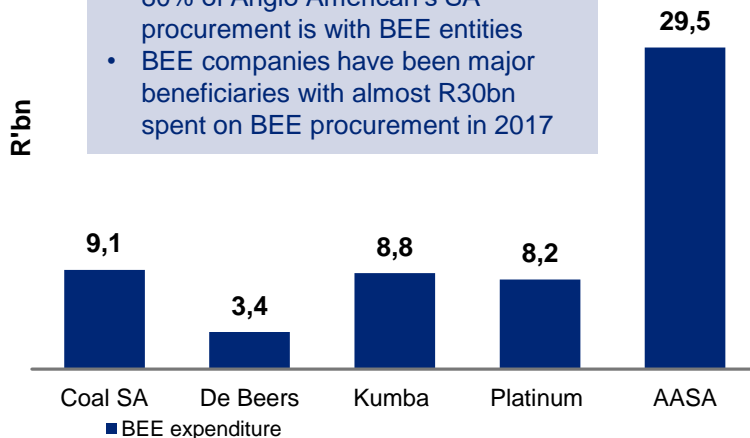
Anglo American is a leader in social development and procurement initiatives which have benefitted local communities and target the disadvantaged helping to tackle South Africa's major challenges

Social development

- AA is directly involved in addressing the key challenges facing South Africa
 - Housing: 4,944 houses built since 2010
 - HDSA training: Invested R1bn in 2017
 - Environment: AA's sustainable mining plan
 - Poverty: Focus on ESD in host communities

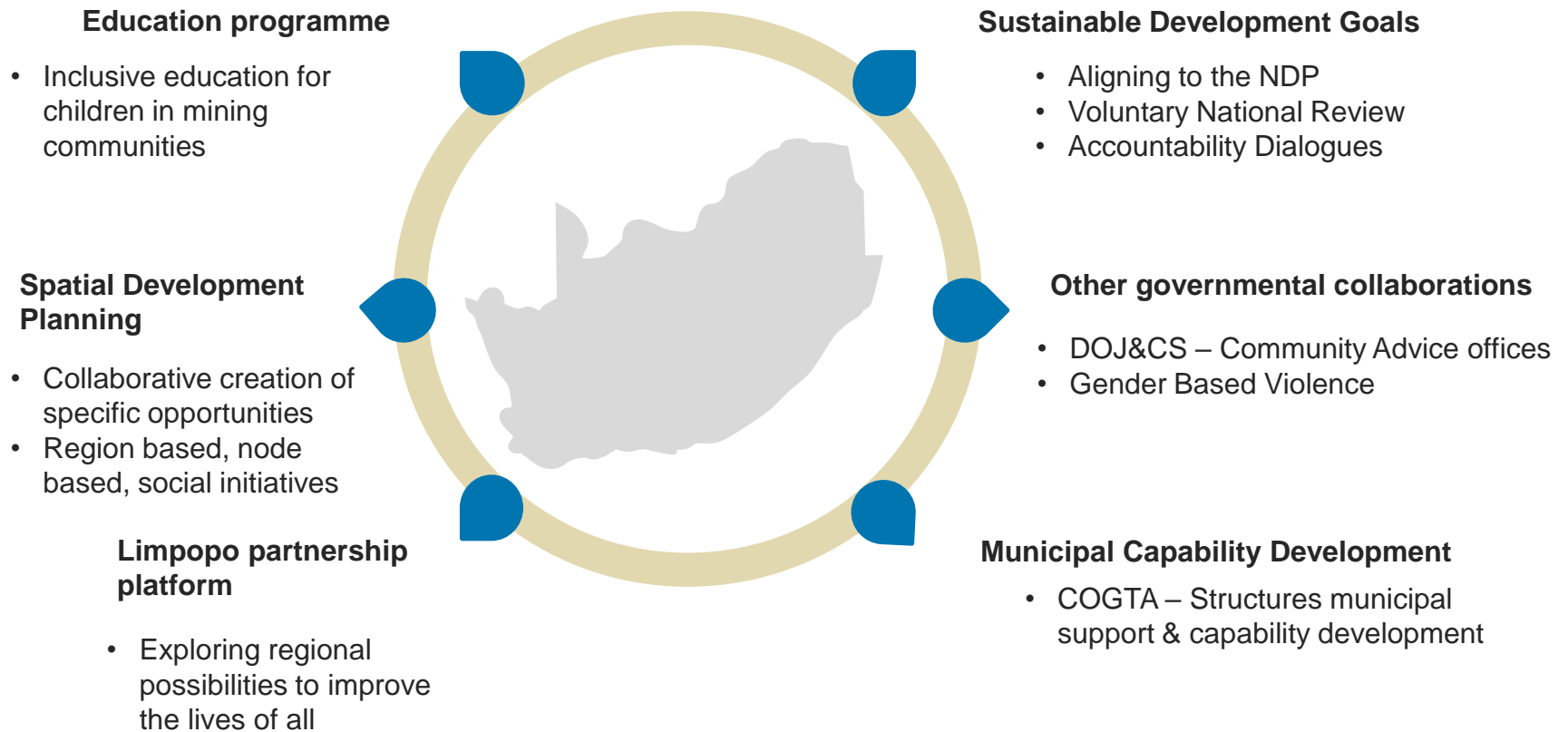
Procurement

- 80% of Anglo American's SA procurement is with BEE entities
- BEE companies have been major beneficiaries with almost R30bn spent on BEE procurement in 2017



A CONNECTED APPROACH TO SUPPORTING GOVERNMENT

Approaching South Africa's challenges from many angles, all underpinned by the Sustainable Mining Plan



SHIPPING – SOUTH AFRICA

Focus on developing the maritime industry in South Africa

- Anglo American Shipping is the **largest charterer** of ocean freight from South Africa
- In 2019 Anglo American will handle over 60Mt through our shipping organisation – **approximately 50% of this cargo will be loaded in South Africa**
- We are the major shipper of product from **Saldanha Bay and Richards Bay**. Our products include iron ore, coal, chrome, metallic copper and nickel
- Our fleet of over thirty (30) vessels include the South African flagged **MV Cape Enterprise and MV Cape Orchid** – capesize bulk carriers
- In 2019 we will lift in **excess of 3.5Mt** through our time charter and charter contracts with Vuka Marine
- We remain committed to being a partner in maritime and seafarer development in South Africa



MARPOL 2020

**THE CHANGING REGULATORY
ENVIRONMENT AND THE MOVE
TOWARD CLEANER OCEAN FREIGHT**



IMPORTANCE OF ENVIRONMENTAL SUSTAINABILITY

The regulatory and industry environment is continuing to evolve and change

Water Ballast Treatment



Requirements to treat ballast water to a higher standard before discharge.

SOX Emissions (IMO 2020)



Global sulphur cap on marine fuel of 0.5% (down from 3.5%) effective January 2020.

CO2 Emissions



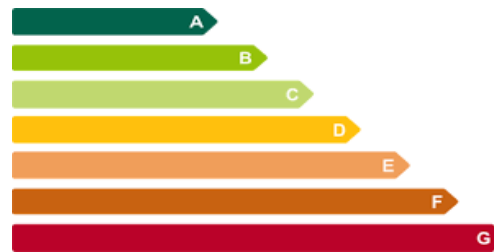
IMO commitment to reduce CO2 emissions from shipping by 50% by 2050.

NOX Emissions



NOx emissions are on the target list for the IMO and Regulators by 2023.

Energy Efficiency Ratings



Energy rating systems for vessels are becoming the norm in industry vetting procedures.

Anglo American



Group target to reduce emissions from our business by 30% in 2030.

MARPOL 2020

Global Sulphur limit on marine fuel of 0.5%

IMO Global		SECA	
Date	Sulphur %	Date	Sulphur %
Initial Limit	4.5%	Initial Limit	1.5%
Jan 2012	3.5%	Jan 2010	1.0%
Jan 2020	0.5%	Jan 2015	0.1%

- The reduction in SOX emissions from marine fuel is not a new item
- We as an industry have been on this path for several years, with some jurisdictions even speeding up the pace of change but setting up their own 'Sulphur emission control areas' (SECA).
- There has been considerable talk in the shipping industry about timing of the legislation, availability of consistent and compliant fuel, the merits of exhaust gas cleaning systems etc.
- There is no excuse for not being prepared for January 2020.....

SUSTAINABILITY

To achieve the objective – we must embrace ‘zero emission vessels’ (ZEV) and the new technology that supports it

Getting to Zero – De-carbonising Shipping

The challenge

- The IMO has set the challenge for the industry when members states agreed to half green house gas emissions in all sectors by 2050.
- So action is needed now – a deeper understanding of zero-emission fuels with engagement across supply chains and collaboration on the health and safety aspects of ‘new clean fuels’.

The opportunity

- Whether its 50% or 100% the initial steps are the same
- Need to push innovation and research
- ZEV need to exist by 2030

Areas of consideration

- Fuel
- Vessels and engine technology
- Market dynamics
- Policies and regulation

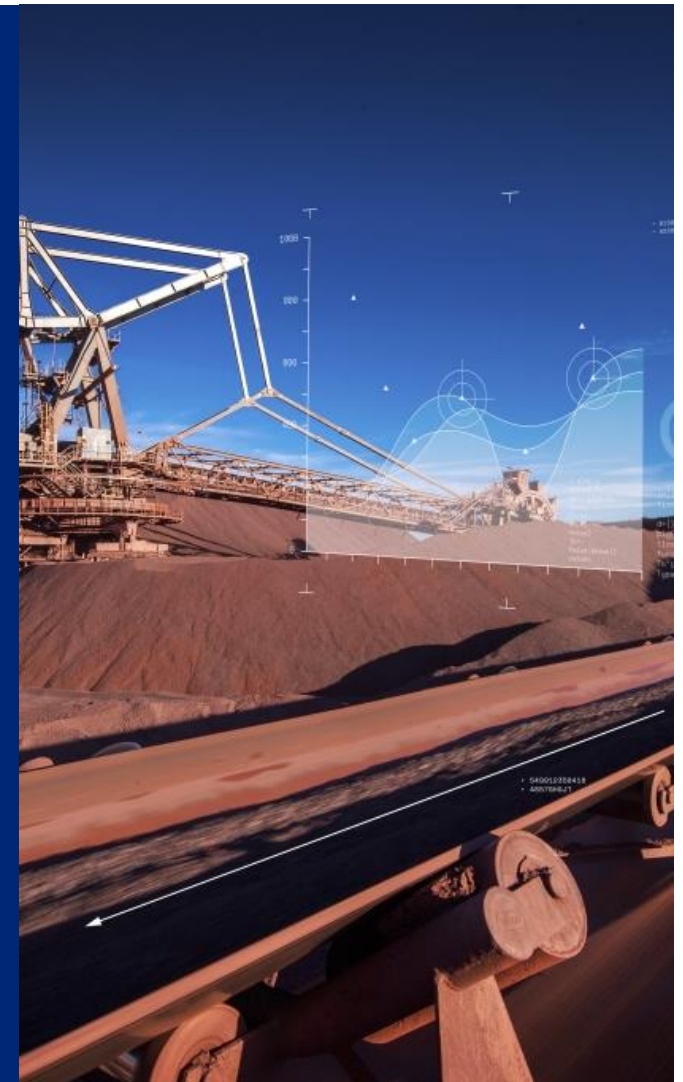
Anglo American is involved in a number of industry groups

It is critical to have support from industry peers to ensure meaningful change.



CARGO PERSPECTIVE

WHAT DOES MARPOL 2020 MEAN TO
THE 'SHIPPER'?



CARGO OWNER'S PERSPECTIVE

What is important to cargo owners (shippers) with respect to this regulatory change?

1

COMPLIANCE AND ENFORCEMENT: The assurance that ship owners/operators will abide by the regulation – we do not want to be associated with any breach.

2

SAFETY: That the conversion to compliant fuel and the subsequent cleaning of vessel tanks is done in a safe and responsible manner.

3

RELIABILITY: To ensure that there is no disruption to the transportation of our products to market – specifically vessel and compliant fuel availability

4

COST: The associated cost of regulation and the impact it will have on our international competitiveness.

CARGO OWNER'S PERSPECTIVE

The major concerns for the cargo owner and the obligation on Owners and Regulators

We aim to ensure that all ocean freight activity conducted by our Group and our customers is **safe, reliable, sustainable and compliant.**

Compliance

- MARPOL 2020 is the law and must be adhered to by our ship owners and operators.
- Government must provide enforcement and confidence to shippers in the compliance regime.
- Breaches must be dealt with strictly and publicly
- Provide an environment that supports compliance – compliant fuel availability



Safety

- The safety of crew and the marine environment is paramount.
- We all want the fuel change over to occur in an efficient and cost effective way – but it must also be done in a safe and responsible way
- Cleaning of tanks which will involve confined spaces – crew welfare must be considered.



Reliability

- The change in regulation has provided ample time for the industry to be ready – as cargo owners we want no delay in our shipping operations during the transition period.
- Owners and operators who are prepared should have access to compliant fuel and have managed the changeover accordingly.



Costs

- Concern raised about regulation which impacts our international competitiveness.
- It is anticipated that the cost of freight will increase as a result of this regulation.
- This should be a catalyst to the industry to try and find meaningful and sustainable ways to achieve alternative fuel efficiencies.



'SCRUBBERS'

Significant concerns about exhaust gas cleaning systems, especially 'open loop' scrubbers

- Over 1,600 vessels will be fitted with scrubbers by 2020 (Source: DNV-GL), with a significant amount of these vessels being bulk carriers (Capesize and VLCC).
- The technology for scrubbers is a mix of wet scrubbers (open loop and closed loop) and dry scrubbers. For commercial reasons many Owners have chosen to install open loop scrubbers.
- Open loop scrubbers use sea water to 'scrub' the exhaust gas of Sulphur and then discharge the waste water back into the ocean.
- **Concerns:**
 - Waste water treatment and disposal
 - Waste disposal (sludge)
 - Crew training for operation of the system
 - Operational safety
 - Maintenance
 - Monitoring compliance

Many countries have banned and/or limited the discharge of waste water and the use of open loop scrubbers in their territorial waters.



China
Singapore
UAE
Norway
Germany

Ireland
Belgium
USA
India
Latvia

MARPOL 2020 Global Sulphur Limit

In 2020 new regulations will be applied to the Sulphur content of fuel oils used in ocean freight. These regulations are specially aimed at reducing the Sulphur emissions from ships.

What is the new regulation?

1

The IMO has set a regulation to reduce the Sulphur content in fuel from 3.5% down to 0.5%. This regulation applies from January 2020.

Compliance

2

Anglo American supports the regulatory stance by the IMO and will insist upon full compliance by its shipping and business partners.

Options for the industry

3

- Burn compliant fuel (including 0.1% Sulphur level LSMGO)
- Install de-sulphuring technology such as 'scrubbers'
- Move to other technology options such as LNG and Hydrogen fuel

Anglo American Position

Anglo American is committed to reducing the emissions from its global activities and will comply fully with the MARPOL 2020 Global Sulphur Limit.

We believe Sulphur is best handled at the refinery. We have operational and technical concerns about scrubber technology.

Anglo American Action.....

All Anglo American chartered vessels will burn only compliant fuel oil.

Anglo American does not intend to charter or operate vessels which are fitted with scrubbers.

Anglo American will encourage our FOB buyers to follow our example.

We will work with industry groups to seek out new technology and fuels for a sustainable future.

BEYOND MARPOL 2020

Sustainability – more than the environment

- Many chartering and shipper organisations are looking well beyond “IMO 2020” when it comes to sustainability.
- They don’t just want safe, cost effective and reliable freight going forward, they also want compliant, sustainable and responsible freight.
- Non traditional ‘shipping’ organisations are supporting and investing in projects that:
 - Reduce CO2 emissions
 - Adopt alternative fuel sources
 - Lobby government organisations such as the IMO to raise standards
 - Support seafarer development – economically and socially

The main influence will come from who we contract with and those that align with the agenda are set to benefit.



TAKEAWAYS FROM THIS DISCUSSION

The MARPOL 2020 regulation to reduce sulphur emissions from global ocean freight is a positive step for the industry – we embrace its implementation.

Key concerns: (i) Compliance and enforcement, (ii) safety, (iii) reliability and (iv) cost implications

We have **significant concerns** about the use of scrubbers, and especially the use of open loop scrubbers in territorial waters close to the coast and where populations and important industry such as fishing and tourism exists.

Many organisations have made commitments to **reduce their environmental footprint**. This industry has an obligation to do the same. This will be achieved by stakeholder collaboration, innovation and transparency.

*Shippers will continue to push a **safety, sustainability and compliance agenda** with the owner/operator community. Those that engage and embrace this agenda will achieve advantage.*

THANK YOU