IMO 2020: Update on Bunker Adjustment Factor (BAF) and new Environmental Fuel Fee (EFF) for Sealand Asia

Dear Customer,

From 1st January 2020, a new regulation will come into force to reduce air pollution from ships globally. Whereas today ships can use fuel with up to 3.5% sulphur content (outside Emission Control Areas), the new global sulphur cap will be 0.5%.

The cost and timeline for compliance with the new regulation is significant, which we are experiencing already now.

As previously communicated, our revised Bunker Adjustment Factor (BAF) is designed to adjust contract rates within the duration of a contract, based on fluctuations in fuel-related costs. It applies to contracts with validity longer than 3 months.

In 2019, we have used the changes in fuel price for high-sulphur fuel (IFO380) to calculate the BAF. From 1st January 2020, the BAF tariff will be calculated using the fuel price for compliant low-sulphur fuel minus the bunker price baseline and multiplied by trade factor. The trade factor is calculated based on actual consumption per loaded container on the trade and the trade factor for Intra-Asia is 0.5. The last used reference of high-sulphur fuel price (IFO380) will be set as “Bunker price baseline” for 2020 bunker price increase.

The BAF tariff for reefer containers will be the BAF tariff for standard (dry) containers multiplied by a factor of 1.5. The BAF tariff of 45’ will be the BAF tariff for standard 40’ (dry) containers multiplied by a factor of 1.2.

Updates as of 30th September 2019
New Environmental Fuel Fee (EFF)

The steep oil price increase that result from compliance to the IMO 2020 regulation will also be impacting the short term business. As such, effective from 1st November 2019, Sealand - A Maersk Company Asia will introduce an Environmental Fuel Fee (EFF), which will apply to all spot business and contracts with validity up to 3 months.

The EFF tariff will be calculated as the price difference between high-sulphur fuel (IFO380) and low sulphur fuel at Singapore bunkering port, multiplied by a trade factor of 0.5 (same formula used for BAF). The EFF tariff for reefer containers will be the EFF tariff for standard (dry) containers multiplied by a factor of 1.5. The EFF tariff of 45’ container will be the EFF tariff of standard 40’ (dry) containers multiplied by factor of 1.2.

The EFF tariffs will be reviewed monthly in case of significant fuel price fluctuations (more than 50 USD/ton).

The initial EFF tariff effective from 1st November 2019 (based on price calculation date) is as below:

<table>
<thead>
<tr>
<th>Scope</th>
<th>20’ Dry</th>
<th>40’ Dry/40’ Hdry</th>
<th>45’ Hdry</th>
<th>20’ Reef</th>
<th>40’ HRef</th>
</tr>
</thead>
<tbody>
<tr>
<td>All countries</td>
<td>USD 37</td>
<td>USD74</td>
<td>USD89</td>
<td>USD 56</td>
<td>USD 111</td>
</tr>
</tbody>
</table>

In Emission Control Areas (ECA) where we have applied Low Sulphur Surcharge (LSS), this will be replaced by EFF for short term business and BAF for long term business. We may implement LSS if there are further change to the regulations on fuel requirement in ECA zone.

In Emission Control Areas (ECA),目前敝司針對三個月以下的短約收取的低硫燃油附加費 Low Sulphur Surcharge (LSS) 11 月 1 号起將會由環保燃油費(EFF)取代，不另外收取 LSS，三個月以上之長約則適用新計費標準的 BAF，但若排放管制區域(ECA)針對燃油標準再度提高時，敝司有可能再度另外收取 LSS。
Please do not hesitate to contact your local Sealand – A Maersk Company Asia representative if you have any questions on the impact on your business of the IMO 2020 regulation.

如果您的任何有關IMO 2020的相關疑問，請立即與敝司的銷售代表聯繫，我們很樂意為您解疑。

Yours sincerely,

Sealand – A Maersk Company Asia