



IMO 2020

What is the inducement for IMO 2020?

Starting 1 January 2020 the maritime industry is facing a big change:

As part of the new IMO 2020 regulations, the maximum sulphur content in fuel will be reduced from 3,5% to 0,5%. These adjustments are expected to decrease the marine pollution by more than 80%. IMO 2020 is the first in a series of regulations issued by the International Maritime Organization (IMO). Consequently the shipping industry anticipates a significant improvement of the ecological footprint.

The switch to low sulphur fuel instead of heavy oil is a big step towards a greener future, which will benefit both the environment and the people.

Which consequences are caused by the introduction of IMO 2020?

Obviously the necessary step towards a greener future comes at a price. First provisions are already planned by the carriers for 1 January 2019. The BAF (Bunker Adjustment Factor) will once again be separated from the sea freight, which enables the carriers to calculate it individually.

The new BAF, also called MFR (Marine Fuel Recovery) by some carriers, will be adjusted quarterly. Due to that it can frequently react to changes in the market. The exact calculations differ from carrier to carrier and haven't been published in detail yet. According to the carriers the new BAF will consider factors such as fuel consumption, fuel type and fuel price as well as transit times and carried TEUs. Therefore the new BAF will not only be influenced by fluctuations in prices, but also by the respective shipping routes.

Up until now we haven't received detailed information regarding the calculation of the new BAF/MFR. Nevertheless the following calculation example should help with a further understanding. As already mentioned, some parameters will deviate between carriers.

MFR/BAF per TEU = fuel price (per ton) x trade factor

Trade factor = average fuel consumption per trade using variables such as trade imbalances, fuel efficiency, reefer factor as well as transit times

In all of 2019 the new BAF/MFR formula will be calculated according to the fuel price for the high-sulphur fuel (IFO 380). After the 1 January 2020, the new BAF formula will be based on the new low sulphur fuel regulations.

Up until now only some carriers have published details regarding the implementation of IMO 2020. We can only make assumptions about further details regarding the calculation. As soon as we receive updates in connection with IMO 2020, we will inform you about it.