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YOUR RELIABLE PARTNER FOR SHIPMENTS TO IRAQ

October 15<sup>th</sup> 2019, NEWSLETTER

## IMO – 2020

### Sulphur 2020 – cutting sulphur oxide emissions in the shipping industry

Dear Clients, Partners and Friends,

You may know already that from 1<sup>st</sup> January 2020 new rules and regulation for the use of heavy fuel in the shipping industry will be implemented.

The IMO – International Maritime Organization ([www.imo.org](http://www.imo.org)), a United Nations specialized agency in charge of the global standard-setting for the safety, security and environmental performance of the international shipping, and the shipping industry, agreed to lower the sulphur percentage in the fuel oil.

This new rules will limit the Sulphur in fuel oil used on board ships operating outside designated emission control areas. The use of Sulphur will be reduced to 0.50% m/m (mass by mass). This will significantly reduce the amount of sulphur oxides emanating from ships and should have major health and environmental benefits for the world, particularly for populations living close to ports and coasts.

Based on the assumption that the spread between high-sulphur fuel oil (HSFO) and low-sulphur fuel oil (LSFO 0.5%) will be 250 US dollars per tonne by 2020, the shipping industry will implement a "Marine Fuel Recovery (MFR) surcharge.

The new IMO 202 rule will have a significant impact on the freight charges. Therefore, the shipping lines will implement a formula based on the recent historic price development / period, trade lane and considering variables like transit time, fuel efficiency and other factors. There will be a regular adjustment of the surcharge, either be monthly or quarterly. The most common formula for container services will be:

$$\text{FUEL PRICE PER TON} \times \text{FUEL CONSUMPTION PER TEU (TRADE FACTOR)} = \text{FLOATING ENERGY COST}$$

For BREAK BULK SERVICES the formula is different and will depend on the trade area.

In case of questions, please feel free to contact us. As soon as further details are available, we will inform you again.

Yours sincerely,

**M.G. International Group of Companies.**

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