



# Low Sulphur IMO 2020 Regulation

Caring for the future today

August 2019



# Low Sulphur IMO 2020 Regulation

For the benefit of:



**Public Health:**  
improved air quality,  
reduction of  
respiratory diseases



**Environment:**  
reduction of acid rain,  
soil erosion,  
acidification of oceans

APPLIES TO ALL SEA-GOING VESSELS WORLDWIDE:



**~100,000**



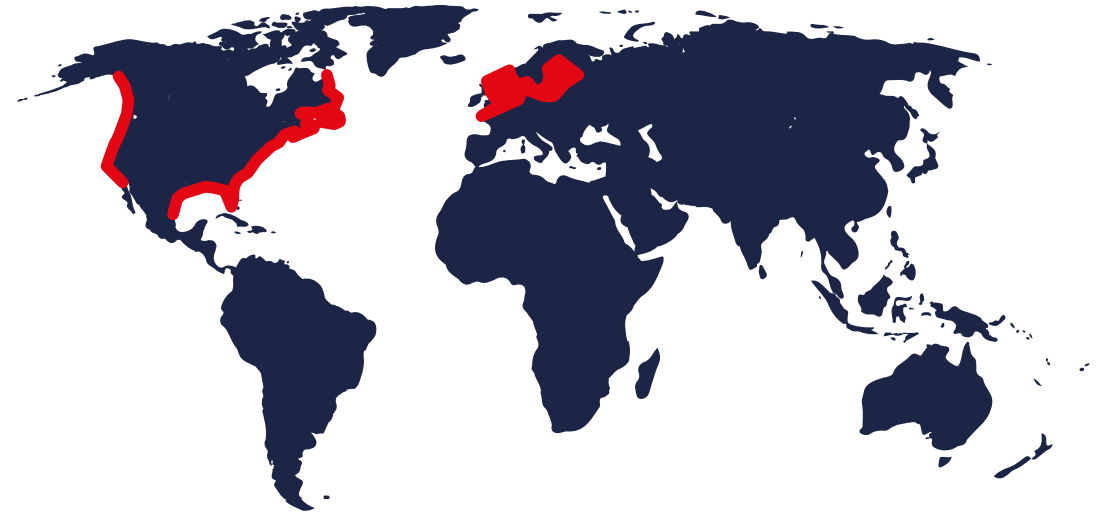
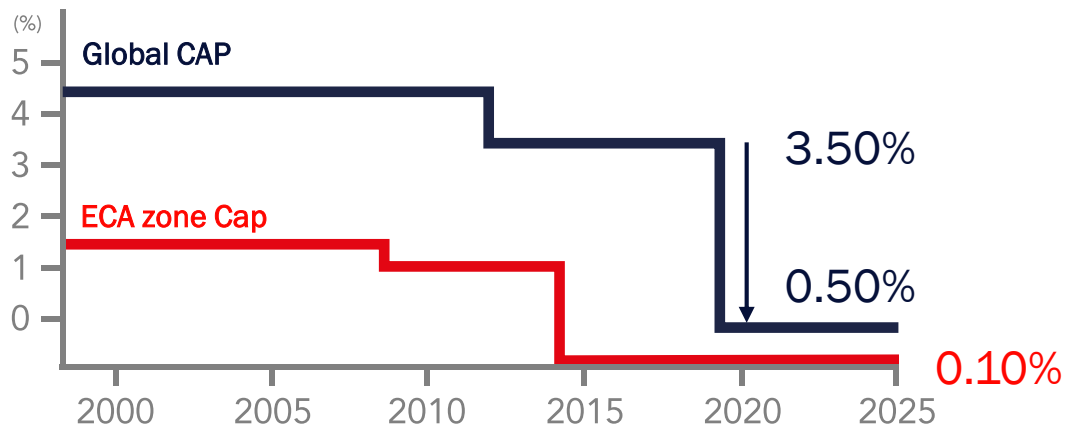
MARPOL ANNEX VI sets limits on SO<sub>x</sub> and NO<sub>x</sub>  
emissions from ship exhaust

**Objective on January 1<sup>st</sup>, 2020**

**Reducing average  
sulphur emissions  
worldwide by**

**85%**

# Low Sulphur IMO 2020 Regulation: facts & figures

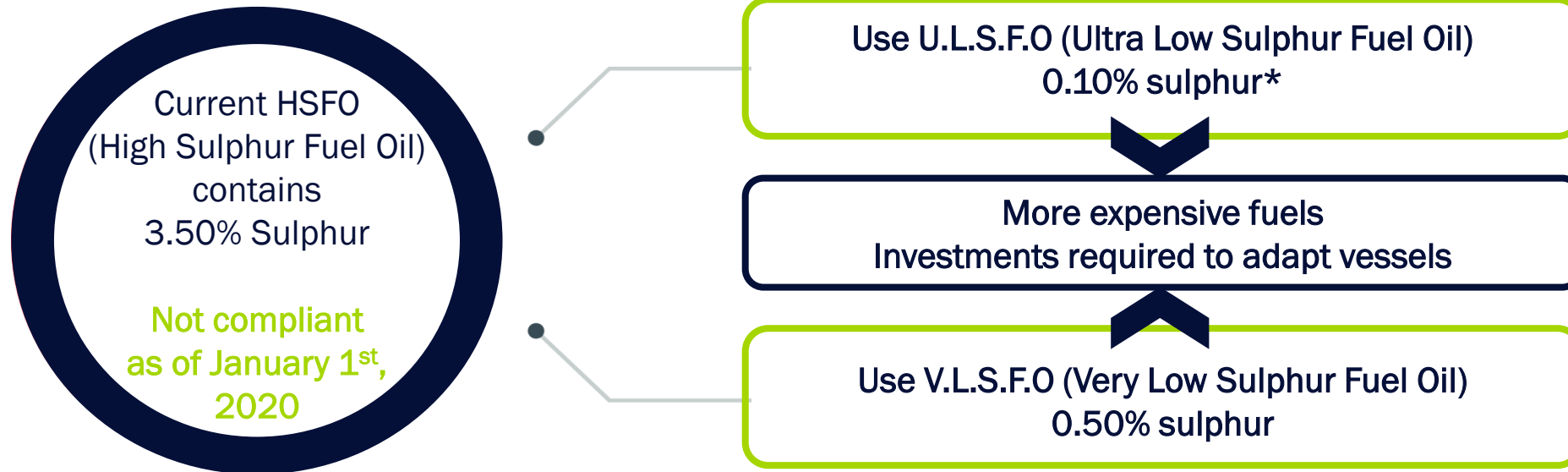


0.10 % in IMO Emission Control Areas

As of January 1<sup>st</sup> 2020, the sulphur in fuel oil must be reduced to 0.50% from 3.50%.

This requirement comes in addition to the 0.10% sulphur limit in the Emission Control Areas (ECA) zones.

# Low Sulphur Fuel Oil



CMA CGM is working along with its oil and gas suppliers to gear up for the stricter fuel regulations.

In case of VLSFO/ULSFO shortage, CMA CGM will use compliant Marine Gasoil.

\*in ECA areas or if non availability of VLSFO 0.50%

# CMA CGM: fully compliant as of January 1<sup>st</sup>, 2020

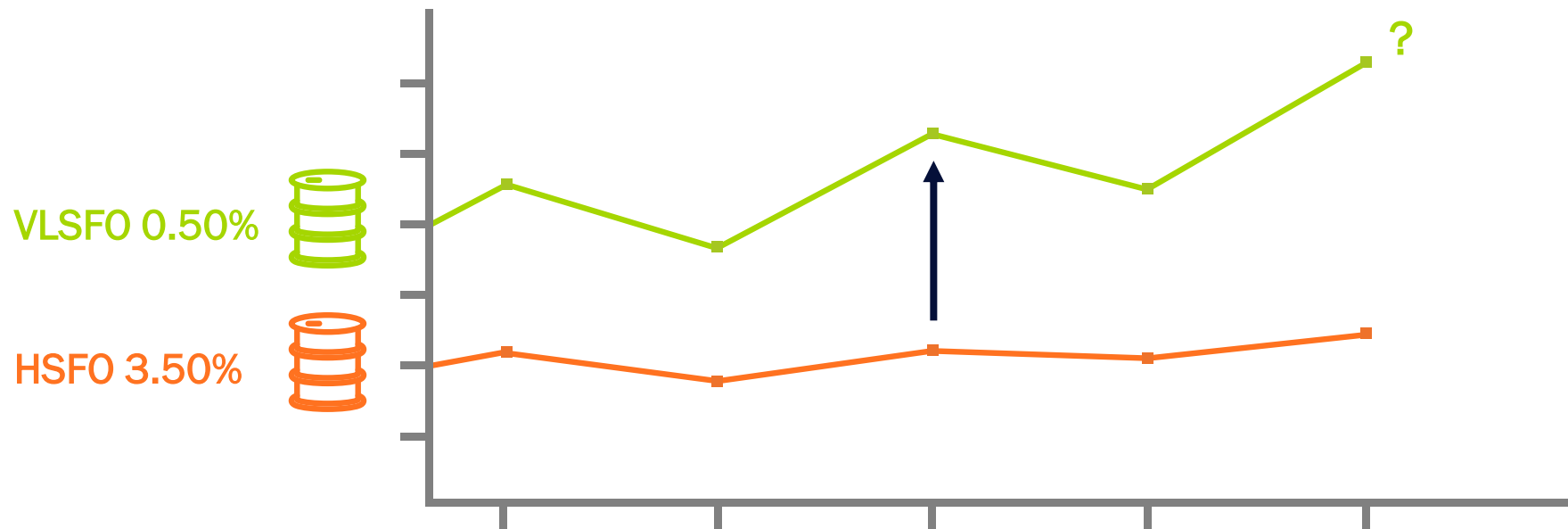


\* Exhaust Gas Cleaning Systems

# What does this mean for our customers?

VLSFO will constitute approximately 90% of our fuel supply in 2020.

The cost of VLSFO 0.50 % is expected to be significantly higher than the present HSFO 3.50 %.



Low Sulphur fuels

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Resulting in the introduction of:

**For short-term contracts** (up to 3 months validity)

**Low Sulphur Surcharge - IMO 2020 (LSS)**

as of December 1<sup>st</sup>, 2019

**For long-term contracts** (more than 3 months validity)

**BAF Formula based on VLSFO 0.50%**

as of January 1<sup>st</sup>, 2020

# Short-term contracts (up to 3 months validity)

For short-term contracts - not subject to floating BAF - LSS will be applicable as of December 1<sup>st</sup>, 2019.

LSS will be calculated as follows:

$$\text{LSS IMO 2020} = (\text{VLSFO 0.50\% PRICE PER TON} - \text{October 2019 HSFO 3.50\% PRICE PER TON}) \times \text{TRADE COEFFICIENT}$$

- for **HSFO 3.50%**, the reference will remain October 2019 price
- for **VLSFO 0.50%**, for application Month M, we will use Month M-2 price:

December LSS IMO 2020 = (October VLSFO PRICE PER TON – October 2019 HSFO PRICE PER TON) × TRADE COEFFICIENT

January LSS IMO 2020 = (November VLSFO PRICE PER TON – October 2019 HSFO PRICE PER TON) × TRADE COEFFICIENT

February LSS IMO 2020 = (December VLSFO PRICE PER TON – October 2019 HSFO PRICE PER TON) × TRADE COEFFICIENT

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The LSS IMO 2020 will be published on [www.cma-cgm.com](http://www.cma-cgm.com)



# Short-term contracts (up to 3 months validity)

## LOW SULPHUR IMO 2020 SURCHARGE simulation (for quotations without BAF - for a selection of trades)\*

Price difference in usd/ton between VLSFO and Oct.19 HSFO		150,01	175,01	200,01	225,01	250,01	275,01	..., for each 25 usd
		175,00	200,00	225,00	250,00	275,00	300,00	
Far East to North Europe	usd per teu	105	120	135	150	165	180	15,00
Far East to West Med	usd per teu	105	120	135	150	165	180	15,00
Far East to WCNA	<b>usd per feu</b>	189	216	243	270	297	324	27,00
Far East to ECNA	<b>usd per feu</b>	308	352	396	440	484	528	44,00
Far East to WCSA	usd per teu	113	130	146	162	178	195	16,25
Far East to ECSA	usd per teu	113	130	146	162	178	195	16,25
Far East to West Africa	usd per teu	157	180	202	225	247	270	22,50
Far East to East Africa	usd per teu	122	140	157	175	192	210	17,50
North Europe to Far East	usd per teu	52	60	67	75	82	90	7,50
West Med to Far East	usd per teu	52	60	67	75	82	90	7,50
WCNA to Far East	usd per teu	17	20	22	25	27	30	2,50
ECNA to Far East	usd per teu	35	40	45	50	55	60	5,00
WCSA to Far East	usd per teu	35	40	45	50	55	60	5,00
ECSA to Far East	usd per teu	35	40	45	50	55	60	5,00
West Africa to Far East	usd per teu	87	100	112	125	137	150	12,50
East Africa to Far East	usd per teu	61	70	78	87	96	105	8,75

\*Above amounts are only given as an example of LSS IMO 2020 quantum.

Applicable LSS IMO 2020 for December 2019 will be communicated on November 1<sup>st</sup>, 2019, as per relevant regulations.

# Long-term contracts (more than 3 months validity)

For long-term contracts, BAF will be updated as of January 1<sup>st</sup>, 2020.

Fuel reference HSFO 3.50% will be replaced by VLSFO 0.50%

BAF Q1 2020 will be based on average price of VLSFO 0.50% of September/October/November 2019:



BAF amounts per trade will be then updated on a quarterly basis as follows :

$$\text{BAF} = \text{VLSFO 0.50\% PRICE PER TON} \times \text{TRADE COEFFICIENT}$$

Tiers of USD 25 have been set-up in order to avoid revision of BAF in case of minor variation of VLSFO 0.50% price.

# Long-term contracts (more than 3 months validity)

BAF simulation (for a selection of trades)\*

HSFO or VLSFO price (usd/ton)		375,01 400,00	400,01 425,00	425,01 450,00	450,01 475,00	475,01 500,00	500,01 525,00	525,01 550,00	550,01 575,00	575,01 600,00	600,01 625,00	625,01 650,00	..., for each 25 usd
Far East to North Europe	usd per teu	240	255	270	285	300	315	330	345	360	375	390	15,00
Far East to West Med	usd per teu	240	255	270	285	300	315	330	345	360	375	390	15,00
Far East to WCNA	<u>usd per feu</u>	405	432	459	486	513	540	567	594	621	648	675	27,00
Far East to ECNA	<u>usd per feu</u>	660	704	748	792	836	880	924	968	1012	1056	1100	44,00
Far East to WCSA	usd per teu	260	276	292	308	325	341	357	373	390	406	422	16,25
Far East to ECSA	usd per teu	260	276	292	308	325	341	357	373	390	406	422	16,25
Far East to West Africa	usd per teu	285	307	330	352	375	397	420	442	465	487	510	22,50
Far East to East Africa	usd per teu	205	222	240	257	275	292	310	327	345	362	380	17,50
North Europe to Far East	usd per teu	20	27	35	42	50	57	65	72	80	87	95	7,50
West Med to Far East	usd per teu	20	27	35	42	50	57	65	72	80	87	95	7,50
WCNA to Far East	usd per teu		not applicable			2	5	7	10	12	15	17	2,50
ECNA to Far East	usd per teu		not applicable			5	10	15	20	25	30	35	5,00
WCSA to Far East	usd per teu	80	85	90	95	100	105	110	115	120	125	130	5,00
ECSA to Far East	usd per teu	80	85	90	95	100	105	110	115	120	125	130	5,00
West Africa to Far East	usd per teu	165	177	190	202	215	227	240	252	265	277	290	12,50
East Africa to Far East	usd per teu	10	18	27	36	45	53	62	71	80	88	97	8,75

\*Above amounts are only given as an example of BAF quantum. Actual BAF tariffs will be communicated later on as per relevant regulations.

HSFO 2019 prices range.

Assumed VLSFO 2020 prices range - based on the factors available at the date of the publication of this document.

# Towards a sustainable shipping industry

*“CMA CGM confirms its ambition to be an industry leading force, in environment protection, by pioneering in innovative and eco-responsible technologies.” (Rodolphe Saadé)*

**- 50% CO<sub>2</sub> emissions**  
per container transported  
between 2005 and 2015

**- 30% CO<sub>2</sub> emissions**  
per container transported  
by 2025

## Alternative solutions to conventional fuels to achieve energy transition

CMA CGM has taken the ambitious step of choosing LNG propulsion: 9 ships with a capacity of 22,000 TEU  
CMA CGM conducted the first global test of bio-fuel use aboard a container ship in partnership with IKEA

## State of-the-art ships with the aim of preserving the environment

CMA CGM Fleet: a carbon footprint among the lowest in the industry: optimized design, cold ironing, advanced air quality systems, ballast water treatment systems...

