



# Customer Advisory

## Bunker Adjustment Factor (BAF) & Environmental Fuel Fee (EFF) trigger

21st January 2020

Dear customer,

As Maersk has communicated during the course of 2019, the switch of marine fuel to comply with the IMO Low Sulphur Cap regulation effective 1 January 2020, would bring substantial cost increase for ocean shipping.

Fuel cost would account for an even larger portion of total freight rate. At the same time, we also anticipated increased volatility in fuel price. To allow customers and Maersk to manage the volatility and cost exposure in a fair manner, the Maersk Environmental Fuel Fee (EFF) and the Quarterly Bunker Adjustment Factor (BAF) levels are subject to a monthly review and exceptional trigger if the price of compliant fuel (VLSFO - 0,5% sulphur fuel oil) moves up or down significantly during the quarter.

The trigger to activate the exceptional review on both cases is defined as a change of more than 50 USD/TON (up or down) on bunker prices compared to the last time both surcharges were adjusted.

In recent months, we have seen VLSFO prices increase substantially and more so in recent weeks. In particular, VLSFO price in Asia (Singapore) for a period exceeded 700 USD/TON, more than 20% increase compared to the previous bunker prices used for the Bunker Adjustment Factor (BAF) and Environmental Fuel Fee (EFF) calculation. The average increase in January thus is expected to

exceed

USD50/mt.

Accordingly, Maersk will apply the additional monthly trigger defined in our Bunker Adjustment Factor (BAF) and Environmental Fuel Fee (EFF) formulas and the new tariffs will be effective **1 March 2020**.

We use Bunkerworld's fuel price index 0.5% Sulphur fuel oil (VLSFO) for the BAF and EFF calculation. The period used for the calculation will be 26 DEC'19 to 25 JAN'20 and compared versus following figures:

- BAF: Average bunker price from 26 AUG'19 to 25 NOV'19 **(537,99 USD/TON)** - EFF: Average bunker price from 26 SEP'19 to 25 OCT'19 **(547,37 USD/TON)**

The tariff increases will be seen across all trades with an increase range between 50 to 200 USD per FFE, reflecting the increased fuel costs associated seen during recent weeks. The actual increases per trade will be communicated by end January.

Feel free to contact us if you have any questions.

Best

regards,

**Maersk**

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