

IMO 2020: Update November 2019

As of **January 1, 2020**, the global limit for **sulfur content of ships' fuel oil** on the high seas will be lowered from 3.5 to 0.5 percent according to regulations issued by the **International Maritime Organization (IMO)**. The new sulfur limit will decrease sulfur emissions in sea freight by 80%, with the goal of reducing health risks for humans and helping to prevent global warming. Due to higher fuel costs, the switch to cleaner fuels will lead to a **price increase on the part of carriers**. Shipping companies will not be able to absorb the increased costs and will therefore **pass them on to end customers**.

The following overview is intended to provide a better understanding of the impact of this regulation and help you plan and optimize your shipping.

What options do carriers have to comply with this rule?

- Usage of compliant fuel (max. 0.5% SO_x emissions in exhaust)
- Usage of LNG (Liquefied Natural Gas) as alternative fuel
- Usage of filter systems for exhaust, so-called "scrubbers"

What are the positive, negative and cost factors of the above options?

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Compliant fuel	Most environment-friendly Availability in the market No major investment in vessels	Higher fuel costs Compatibility issues	Est. 200 USD / t higher
LNG	In line with next emission restrictions Lower fuel costs	Highest investment costs Network for bunkering Less cargo capacity due to large tanks	Approx. 30 million USD / vessel
Scrubbers	Lower investment compared to LNG installation Further usage of heavy fuel (3.5%) Relatively short investment payback	Higher fuel consumption and emissions Washwater disposal in open loop scrubbers Short-term solution	Approx. 5 million USD / vessel

The estimated annual costs for the whole industry are 60 billion USD.

Do we know the price of low-sulfur fuel (0,5%) by now?

Yes, as carriers have started purchasing the low-sulfur fuel in order to comply with new regulation from January 1, 2020 on, low-sulfur fuel is being priced. Current prices are around 550 USD per ton, which is roughly 200 to 250 USD per ton higher than heavy-sulfur (3.5%) fuel.

What is the expected rate increase?

It varies from trade to trade, as the required amount of fuel depends on the distance travelled, the size of a vessel and the utilization achieved on the trade. Based on the current low-sulfur fuel price, here are some expected average amounts for bunker rate increases.

Asia to Europe	125 USD
Europe to Asia	75 USD
Asia to North America (WC)	180 USD
Asia to North America (EC)	300 USD
Europe to North America	140 USD
Asia to Latin America	160 USD
Europe to Latin America	150 USD
Asia to Oceania	125 USD
Europe to Oceania	200 USD

Prices are in USD per TEU.

Where can I look up the current bunker prices as a client?

There are several sources which can serve as reference points, e.g. [Ship and Bunker](#).

We will keep you updated on this topic on a regular basis. If you have any further questions about this measure in the interest of environmental protection, our Sea Cargo team will be glad to assist you.

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