



BLUE WORLD LINE

Org No. 027574

A Non-Vessel Operating Common Carrier

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JAS BAF mechanism – IMO 2020

The maritime industry is facing great changes: Beginning on **1 January 2020**, vessels will only be allowed to use fuel with a maximum sulphur content of 0.5 percent. The current standard is a sulphur cap of 3.5 percent. The so-called IMO2020 regulation is the largest in a series of International Maritime Organization (IMO) measures to reduce marine pollution. Using low sulphur fuel oil will be the key solution for the shipping industry to remain compliant. Furthermore, it is the most environmentally friendly solution in the short term.

This will entail a radical transformation for the entire shipping industry. However, the good news in this is that the regulation will make the industry greener. For this reason, JAS welcomes the new regulation and views it as an important step towards setting uniform standards that will benefit both the environment and people.

However, there will be a significant cost increase with the introduction of the new low sulphur and external sources estimate additional cost for the global container shipping industry could be up to USD 15 billion.

For one of the largest global carriers, they estimate the cost of compliance could exceed USD 2 billion in extra fuel cost a year.

The shipping industry cannot absorb this increased cost from the new regulation; it has to be passed on to the end-users of the items shipped in our containers. Our customers should expect the cost of shipping goods to rise to cover the increase.

With our new BAF mechanism JAS is implementing enables a calculation of costs for our customers that is transparent and easy-to-understand – and that shows our customers just how high the additional costs of using low-sulphur fuel are. The BAF mechanism will be reviewed quarterly or monthly in case fuel price fluctuations are above USD 45 per ton and will be applicable for any rate agreement that is valid for more than 3 months. For shorter term agreements, BAF will be Valid At Time Of Shipping (VATOS) and be included in the rate.

It will take into consideration various parameters, such as fuel costs, vessel size, vessel utilization and route length.

The impact of the new regulation will become visible already in Q4 2019 as vessels have to start refueling with the compliant fuels in Q4 2019 in order to fully be in line with IMO2020 as from 1 January 2020.

Our goal is to provide our customers with the most economical solution possible for complying with the required emission targets and to make the costs transparent and easy-to-understand.

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