



New Bunker Adjustment Factor (BAF)

Dear customer,

New emission regulations developed by the International Maritime Organisation (IMO) will come into effect from January 1st 2020 that are designed to reduce global air pollution. By reducing the permissible Sulphur content in fuel from 3.5% to 0.5%, emissions will be reduced by more than 80% providing a significant benefit to human health and the environment as a whole.

As a leader in sustainability and environmental protection, Hamburg Süd fully supports this initiative. Compliance with these new regulations will, however, come at a cost. Cost Volatility of suitable fuels are also expected to increase as we move to full compliance by January 2020.

To adjust to this new environment, Hamburg Süd will replace the current Bunker surcharge with a new Bunker Adjustment Factor (BAF) calculation. The new BAF is designed to provide customers with a simple formula that will allow the BAF charges to be calculated for any Trade lane at any fuel price. The new BAF is designed for Cost Recovery and will be charged independently from the Ocean Freight charges.

The BAF will be calculated using Fuel Price and a Trade Factor based on following:

$$\text{Fuel price} \times \text{Trade factor} = \text{BAF}$$

Fuel Price: Calculated using average fuel price from key bunkering ports (ie. Rotterdam, Singapore, Panama, Fujairah)

Trade Factor: Reflects average fuel consumption per Trade using variables such as trade imbalances, fuel efficiency, Reefer Factor and Transit times

We have provided examples of BAF levels for large Hamburg Süd trades at different fuel prices in Table below. Note, to cover the average additional fuel consumption of reefer containers there is a reefer factor of 1.5.

We have also provided a list of FAQ's which provide additional information.

Hamburg Süd appreciates your continued support and should you require any additional information, please do not hesitate to contact your local Hamburg Süd representative.



Customer Information

19th September 2018

Examples of BAF tariffs per TEU for selected trades at different fuel prices

Trade	DRY			RFR		
	USD 400	USD 450	USD 500	USD 400	USD 450	USD 500
Asia to WCSA	390	439	488	585	658	731
WCSA to Asia	90	101	113	135	152	169
Asia to ECSA	240	270	300	360	405	450
ECSA to Asia	140	158	175	210	236	263
Asia to Australia	240	270	300	210	236	263
Australia to Asia	140	158	175	360	405	450
Europe to ECSA	175	197	219	263	295	328
ECSA to Europe	300	338	375	450	506	563
Europe to WCSA	300	338	375	450	506	563
WCSA to Europe	300	338	375	450	506	563

Questions & Answers on the new BAF

QUESTION	ANSWER
What is the new BAF formula?	The new BAF will be calculated as: Fuel price x Trade factor = BAF
What fuel types will be used in calculating the new BAF?	In all of 2019 the new BAF formula will be based on the fuel price for high-sulphur fuel (IFO 380). From Q1 2020 onwards, the new BAF formula will be based on fuels that comply with the new regulation (0.5% sulphur).
How do you calculate the fuel price used in the BAF?	The fuel price used in calculating the new BAF will be the average fuel price across important global bunkering ports for the relevant period (typically three months). The fuel price used to calculate the BAF will be the same for all trades.
How do you calculate the trade factors used in the new BAF?	The key elements of the trade factors are: 1. The actual fuel consumption (ton/TEU) per container moved on the trade; and 2. An imbalance factor reflecting that on some trades there is a dominant headhaul, which will be subject to a larger share of the fuel cost changes (up and down) than the backhaul.
Will there be a special BAF for reefer containers?	The BAF for reefer cargo will be calculated by multiplying the BAF for standard containers (dry) with a factor of 1.5, reflecting the average additional electricity consumption of reefer containers.
Why are you changing your BAF calculation?	The current BAF is based on several variable factors which is not as predictable as the new BAF.
What will happen to the Emission Control Area Surcharge (ECA)?	The ECA will continue as today. In 2019 as well as in 2020 and onwards, we will need to continue to use cleaner fuels (0.1% sulphur) in Emission Control Areas (ECAs).
When will the new BAF be effective, and which contracts will it apply to?	The new BAF will be effective 1 st January 2019, and contracts with start date on or after this date will be subject to the new BAF. Contracts with start date before 1 January 2019 will be subject to the old BAF until their expiry.
When will you communicate the BAF tariffs for Q1 2019?	We will communicate the BAF tariffs for Q1 2019 by the end of November 2018.
How often will the new BAF tariffs be reviewed?	The BAF tariffs will be reviewed quarterly. However, during 2020 we will review and adjust the BAF tariffs monthly if the fuel price change is more than 50 USD/ton since the last adjustment.
Will you adjust the new BAF tariffs even when the fuel price change is insignificant?	When we do our quarterly BAF tariff review, we will only adjust the BAF tariffs when the fuel price has changed (up or down) more than 10 USD/ton since last adjustment.