

P&O FERRIES BAF AND LOW SULPHUR AMENDMENT

**Meeting the 2020
changes to Irish Sea
low sulphur routes**

AMENDMENT TO BAF AND SUPPLEMENT CHARGES

Meeting the 2020 low sulphur rules

Why do we need to change our charges?

New IMO (International Maritime Organisation) global Sulphur cap regulation requires that all ship and ferry operators operating outside of current designated environmental control areas (ECAS) must meet more stringent limits for Sulphur emissions from 1 January 2020.

To comply with the new regulations, ferry operators have a choice of operating their vessels on 0.5% Sulphur compliant fuels or fit abatement technology in the form of exhaust gas cleaning systems known as scrubbers.

Based on previous experience of operating vessels in the 0.1% ECAS, P&O Ferries has chosen a solution that is regarded as the most efficient and straight forward for its operation and that is to move to a compliant fuel. This will unfortunately mean increased fuel costs, as will be experienced by all operators.

From 1 January 2020, we will be introducing a new fuel surcharge on all freight accounts shipping on our services to and from Larne and Dublin.

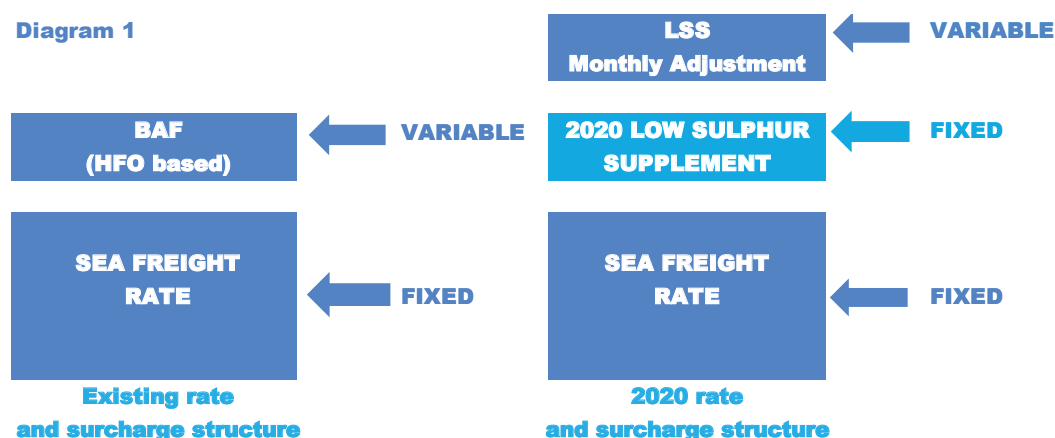
How will the BAF (Bunker Adjustment Factor) and supplement charges be changing?

During times of transition, we believe it is important to keep our charging framework simple and transparent so that our customers can see a clear bridge between the old and the new charges.

Diagram 1 is a simple illustration of how our BAF and supplement charging framework will change from 1 January 2020. There will be two key changes:

- 1. The introduction of a 2020 low sulphur supplement**
- 2. Revision of our existing HFO base to a lower sulphur based BAF**

Diagram 1



1. The introduction of a 2020 low sulphur supplement

- This is a fixed supplement that will be applied to all shipments
- It will reflect the difference in the price between a tonne of HFO and LSS 0.5%
- It will be charged per unit irrespective of length (with the exceptions on vans and trade vehicles which will be charged at 50% of a freight unit)
- The supplements are based on the average consumption per route and the average capacity utilisation
- This charge will vary by route as fuel consumption is affected by many factors (the length of the sailing, the type of ship, load type etc.)
- Table 1 shows the charge per unit from 1 January 2020

Route	2020 LOW SULPHUR SUPPLEMENT
	£19.86 / unit
Larne - Cairnryan - Larne	€22.38 / unit
	£28.50 / unit
Dublin - Liverpool - Dublin	€32.20 / unit

2. Revision of our existing HFO based BAF

Table 2 is an example of new Fuel Surcharges October 2019 for Irish Sea. Today, this calculation is based on previous 30 day MGO price index as low sulphur price is not currently available to the Irish Sea.

- 30 Day rolling MGO average as per Bunkerworld.com (21st September to 19th October 2019 inclusive)
- MGO Price: \$561.33
- 30 days rolling USD/GBP average as per Exchangerate.org.uk
- £1 = \$1.23
- £1 = €1.13
- A trigger point of GBP 338 per metric ton MGO exists across all route
- Fuel consumption calculated per route and per vessel, converted into length band
- Aligned to all other routes in our network

		Larne - Cairnryan BAF per vehicle		Dublin - Liverpool BAF per vehicle	
MGO £	MGO \$	0-7 metres	>7 metres	0-7 metres	>7 metres
£453	\$566	£6.40	£10.72	£10.72	£20.00
£454	\$567	£6.45	£10.80	£10.80	£20.15
£454	\$568	£6.50	£10.88	£10.88	£20.30
£455	\$569	£6.55	£10.96	£10.96	£20.45
£456	\$570	£6.60	£11.04	£11.04	£20.60
£457	\$571	£6.65	£11.12	£11.12	£20.75
£458	\$572	£6.70	£11.20	£11.20	£20.90
£458	\$573	£6.75	£11.28	£11.28	£21.05
£459	\$574	£6.80	£11.36	£11.36	£21.20
£460	\$575	£6.85	£11.44	£11.44	£21.35
£461	\$576	£6.90	£11.52	£11.52	£21.50

Current Surcharge per unit (EUR)*

		Larne - Cairnryan BAF per vehicle		Dublin - Liverpool BAF per vehicle	
MGO £	MGO \$	0-7 metres	>7 metres	0-7 metres	>7 metres
£453	\$566	€ 7.23	€ 12.11	€ 12.11	€ 22.60
£454	\$567	€ 7.29	€ 12.20	€ 12.20	€ 22.77
£454	\$568	€ 7.35	€ 12.29	€ 12.29	€ 22.94
£455	\$569	€ 7.40	€ 12.38	€ 12.38	€ 23.11
£456	\$570	€ 7.46	€ 12.48	€ 12.48	€ 23.28
£457	\$571	€ 7.51	€ 12.57	€ 12.57	€ 23.45
£458	\$572	€ 7.57	€ 12.66	€ 12.66	€ 23.62
£458	\$573	€ 7.63	€ 12.75	€ 12.75	€ 23.79
£459	\$574	€ 7.68	€ 12.84	€ 12.84	€ 23.96
£460	\$575	€ 7.74	€ 12.93	€ 12.93	€ 24.13
£461	\$576	€ 7.80	€ 13.02	€ 13.02	€ 24.30