

Sulphur 2020 – New low sulphur surcharge

From 1st January 2020, Seatruck Ferries will have to comply with new regulations regarding the limits for sulphur in the main engine fuel that we use. From this date new worldwide sulphur regulations will apply onboard our vessels limiting the sulphur content to 0.5% from the current permitted level of 3.5%. This regulation is designed to significantly reduce the amount of sulphur oxides emanating from ships.

0.5% sulphur fuel is significantly more expensive and as previously communicated, Seatruck Ferries will introduce a new low sulphur surcharge commencing 1st January 2020. At this point the existing BAF will be added onto your base rates and will then cease.

For the remainder of 2019 we will provide an indication of how much the surcharge will be, based on the average prices for the previous month.

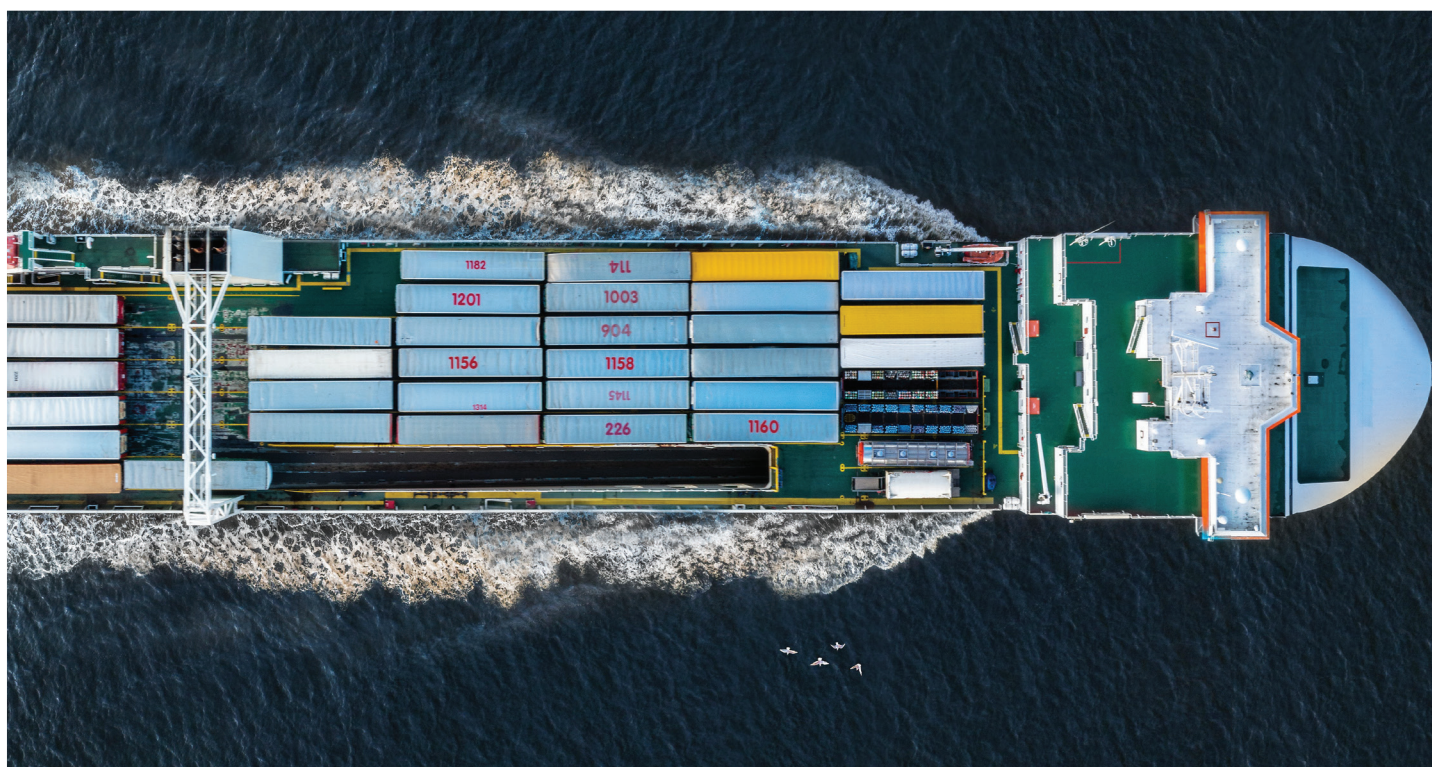
The new low sulphur surcharge is calculated on the average Rotterdam index price for MGO 0.1% and the average Bank of England \$/£ exchange rate for the same period, both which can be verified online.

The new Low Sulphur Surcharge (LSS) will be charged per metre with unit lengths being rounded up or down to the nearest whole metre. The LSS will be applied equally to all Seatruck routes.

For October the calculations will be based on the period 26th August 2019 – 25th September 2019. During this period the average MGO price was \$586.03 and the average exchange rate 1.2332, giving a price per ton in GBP of £475.21. The table shows the example LSS for the month of October as if the new surcharge were already in place.

The table shows LSS for the month of October would be £2.07/€2.33 per metre.

Price range per tonne sterling		LSS £/m	LSS €/m
£460.00	£464.99	£1.92	€2.16
£465.00	£469.99	£1.97	€2.22
£470.00	£474.99	£2.02	€2.27
£475.00	£479.99	£2.07	€2.33
£480.00	£484.99	£2.12	€2.39
£485.00	£489.99	£2.17	€2.44
£490.00	£495.99	£2.22	€2.50



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When will the Seatruck LSS be introduced?

The figures that will be provided for October, November and December are for indication only. The actual LSS will commence from 1st January 2020; this date will not change. It should be noted that in order to comply with the new rules, Seatruck will need to start switching to the new fuel in early December. This additional cost in December 2019 will be borne by Seatruck and not passed onto the customer.

Why is the surcharge the same on all routes?

Seatruck operates three routes of similar lengths and two classes of vessel which have similar consumption, so the charge will be common across the Seatruck routes. If Seatruck was to introduce shorter or longer routes in the future, then the charge would need to be different on these.

Why are you moving from a percentage model to one which will be charged per metre?

A common charge per metre on all sailings irrespective of base rate, sailing day or sailing time is a fairer method for all. The per/m charge will ensure all units are charged for the actual space that they occupy on the vessel. For ease of calculation unit lengths will be rounded up or down to the nearest metre. Based on the October indication of £2.07/m the charges for typical units would be as follows:

- 13.7m unaccompanied trailer – LSS 14m x £2.07/m = £28.98
- 16.9m driver-accompanied vehicle – LSS 17m x £2.07/m = £35.19

Why are you indicating the October 2019 LSS on the MGO price from 26th August 2019 – 25th September 2019?

The LSS will be based on the prices for the previous month. Using the dates will allow us to publish the LSS for the next month a few days before month end so that you can inform your customers. This method will continue for future months.

We are using October 2019 as the single point from which we base our calculations as we believe that this a fairer method than using average numbers over longer periods.

Why are you using the MGO 0.1% index price, not one for 0.5% sulphur fuel?

The MGO index is being used since there is not yet a reliable index for 0.5% as the physical product is not being traded yet.

What exactly will happen with current BAF?

The BAF for October at 17.5% will be fixed and the LSS added over and above this. We are examining different ways of how we may show the original BAF on the invoice from 1st January 2020 onwards. For October, November and December 2019, the current BAF will be calculated in the normal manner. The LSS surcharge for the rest of 2019 will be available each month for indication only.

How much will the Seatruck LSS be in January?

We do not know! The LSS indication for October is based on the additional costs if the surcharge were in place today. However, the LSS in January could be higher or lower than the indicated level, dependent upon overall global oil prices and the spread between the cost of low sulphur and high sulphur fuel. This is a global legislation change and could lead to some initial volatility in pricing as the refiners adapt their production.

How will the Seatruck LSS be shown on my invoice?

The LSS will be clearly shown as a separate line on your invoice to facilitate recovery from your end customer.

Is the Seatruck LSS in addition to the Seatruck rate increase?

Yes, the LSS is purely about Seatruck recovering the extra fuel cost due to the new legislation. The Seatruck rate increase is separate and additional to the LSS. We do understand that the combination of both is a significant change to pricing structure in a short period of time. Seatruck remains fully committed to providing high quality freight services on the Irish Sea.

Could the Seatruck LSS go negative?

Yes, if the price of the new fuel dropped below the October 2019 price for the original 3.5% sulphur fuel then the LSS would be negative.

Why are surcharges lower on shorter crossings?

Shorter crossings burn less fuel per unit shipped, so surcharges can be lower. However, the shorter routes on the Irish Sea generally require much greater road mileage to reach the ports. Overall Seatruck believes that the door to door cost of moving goods will still be lower by using longer sea routes. Recent statistics show a continued move to efficient unaccompanied trailer shipments on long sea services.

What happens to the LSS if Seatruck shipping volumes change?

Seatruck currently operates 78 sailings per week and as a freight only operator can easily flex this number up and down at short notice on any route dependent upon demand. The LSS model will remain unchanged irrespective of total volume. For Seatruck to ship significantly more would require more sailings and more fuel, while a reduction in volume would lead to a consequent reduction in total fuel burn.

Is this the final Seatruck LSS model?

The three month period where we show the LSS for indication purposes will also provide Seatruck with the opportunity to ensure that the LSS model is fair. Minor adjustments may then be required prior to formal implementation on 1st January 2020.

Why aren't Seatruck fitting sulphur scrubbers?

Seatruck believes that it is environmentally more friendly to burn low sulphur fuel. The use of certain scrubber designs has been banned in a number of locations worldwide, including Dublin Port.

Please visit IMO link for additional information:
www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx