

November 18, 2019

IMO 2020 Low Sulphur Surcharge Effective 1st January 2020

Dear Valued Customer,

Effective 1st January 2020, The International Maritime Organization (IMO) will introduce new regulations restricting all sea-going vessels such that they must use fuel (low Sulphur bunker) with a maximum 0.5 % Sulphur content. This will significantly improve the global carbon footprint of ocean carriers and sea-going vessels worldwide, reducing their Sulphur emissions by 85%.

The global shipping industry will be heavily impacted, as the new IMO 2020 Low Sulphur Regulations will increase shipping fuel costs worldwide. Current indications are that the cost of Low Sulphur fuel will be approximately US\$180/ton dearer than the current “dirty bunker”. This is an increase of about 40%.

To achieve the 1st January 2020 deadline, carriers will begin in late November/December 19 to use the Very Low Sulphur Fuel Oil (VLSFO) instead of the current fuel (IFO380 – dirty bunker) which has 3.5% sulphur. Carriers will be adjusting their rates effective 1st December to phase in the Low Sulphur Surcharge and consequently, VGL must pass these costs on accordingly.

The new surcharge for the Very Low Sulphur Fuel Oil will vary both;

1. Between shipping lines; and
2. Between trade lanes due to the sailing time differences.

VISA should know the various trade lane levels of the surcharge in the next 10 days.

Should you have any questions relating to the above or require further information, please contact your local VGL representative.

Thank you for your continued support.