

# Emergency Bunker Surcharges



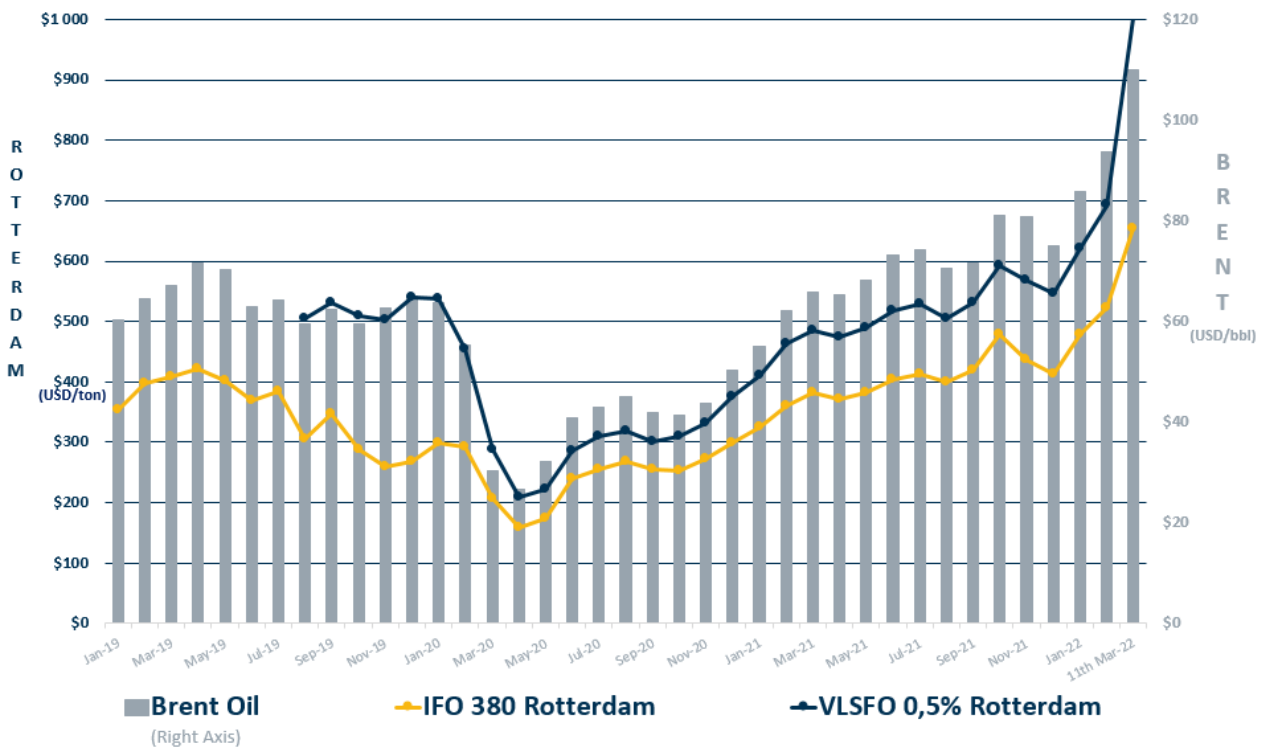
March 14th, 2022

The average price of the Very Low Sulfur Fuel Oil (VLSFO) in Rotterdam has increased sharply from \$769 a ton on February 24<sup>th</sup>, when Russian forces entered Ukraine, to \$1001 a ton on March 8<sup>th</sup>, according to *Ship&Bunker*.

This has set a new record for the VLSFO cost, the fuel which MARPOL – *The International Convention for the Prevention of Pollution from Ships* -, hosted by the IMO – *The International Maritime Organization* – has obliged vessel operators to use as of January 1 2020, when the so-called IMO 2020 regulation was implemented.

All major bunkering ports in the World have recorded the same phenomenon, and on the back of the political tensions, this followed the steep increase of the Brent from \$99 to \$127 the barrel in the same timelapse.

The next day, on March 9<sup>th</sup>, president Joe Biden decided the US embargo on Russian oil imports, setting the scene for probable further fuel costs increases. Meantime, *Bank of America* estimated that in that context the Brent could exceed \$200...



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When MARPOL introduced IMO 2020, all ocean carriers revised their bunker charges formulas to take into consideration the new regulations. These formulas have not been designed to manage fuel costs at \$1,000 a ton or above, and have not been designed either to manage the steep volatility that has been created by the Russia – Ukraine conflict.

Expectations are now that ocean carriers will implement Emergency Bunker Surcharges in addition to the existing fuel charges, in the likely event that the situation is lasting and fuel prices continue to climb.

While we continue to monitor the situation on a daily basis with our partners, we are considering to introduce an Exceptional Emergency and Temporary Fuel Surcharge, which would apply on all existing contracts in place.

Please rest assured we are doing our utmost to mitigate the impact on your business, and we will keep you fully updated as the situation evolves.

Yours faithfully,

**Emmanuel Olivier**

Group Ocean Freight Director