

September 12, 2019

IMO 2020 LOW SULFUR BUNKER FUEL

Dear Valued Customer,

As part of IMO 2020 regulations, the International Maritime Organization (IMO) has mandated that all commercial ocean vessel operators, including ocean container carriers, use bunker fuels containing less than 0.5% sulfur content compared to the current 3.5%. IMO 2020 regulations are set to take effect January 1, 2020.

Ocean container carriers do have the option to continue to use higher sulfur bunker fuel (with sulfur content above 0.5%), but to do so will require the installation of fuel scrubbers on their vessels. It is estimated that less than 5% of all ocean container carriers will implement this option.

Ocean container carriers will also have the option to introduce new liquefied natural gas (LNG) vessels as an alternative to using low sulfur bunker fuel. It is estimated that this will also be limited to very small portion of the market.

To ensure compliance by January 1, 2020, ocean container carriers have already begun to implement changes to their vessels. Due to these changes being made, ocean freight capacity levels are being impacted and are expected to continue to experience a decrease in capacity levels through the remainder of 2019.

It is expected that these new regulations will also create cost increases which will be applied to ocean carrier pricing in the form of an IMO 2020 Low Sulfur Bunker Fuel adjustment. The specific amounts for these fuel cost adjustments and when they will go into effect will be determined by the individual carriers, who are expected to announce the pricing changes in 2019.

C.H. Robinson is closely following this market development and will provide updates as new and more detailed information is received.

Thank you for being our Valued Customer. If you have any questions, please do not hesitate to contact C.H. Robinson for further information.

Sincerely,
C.H. Robinson

Our information is compiled from a number of sources that to the best of our knowledge are accurate and correct. It is always the intent of our company to present accurate information. C.H. Robinson accepts no liability or responsibility for the information published herein.

