



20 November 2018

### **TRADE ADVISORY ON BUNKER ADJUSTMENT FACTOR (BAF)**

Many of you already know about the new IMO Low Sulphur regulation that calls for a reduction of sulphur content in Marine Bunkers which will be enforced on 1<sup>st</sup> January 2020. Except for Sulphur Emissions Control Areas (SECAs), where a sulphur cap of 0.1% had already come into effect on 1<sup>st</sup> January 2015, the rest of the world will have to abide by the maximum sulphur emission from ships from 3.5% to 0.5%.

As we strive towards creating a “Clean Shipping” environment, X-Press Feeders is fully committed to comply with this new regulation. As fuel cost contributes a big part of our total operating cost, the adoption of fuel that contains 0.5% sulphur content will increase our costs significantly. This increase in cost will have to be borne by the trade, just as carriers have also announced the same with effect from 1<sup>st</sup> January 2019 to prepare for IMO’s Low Sulphur regulations.

To us, BAF is a recovery charge and we have neither the means to absorb this additional cost, nor the intention to take advantage of any situation. We wish to remain focused on delivering our best feeder services to suit your needs, and in this regard, we would appreciate your understanding and support. For the implementation of this recovery mechanism, our friendly marketing personnel from X-Press will reach out to you on this.

Key points to note are: -

- Different feeder trades will have different BAF levels, but in a few broad categories.
- BAF will be reviewed quarterly.
- BAF as a component is mandatory in all our contracts as we are a feeder operator.
- Conversion from HFO to VLSFO/MGO will take effect before the regulation kicks in on 1<sup>st</sup> January 2020.
- Our X-Press Marketing Team will be engaging you in Q4 to inform you of the date of implementation of VLSFO and MGO. Our BAF tariff at that time will take into account the VLSFO/MGO fuel price during that period.

We thank you for your support and full understanding in this matter.

Best Regards,  
X-Press Feeders

*The Global Common Carrier*