The 2020 IMO fuel sulphur regulation
Together we have a responsibility for the sustainable development of our world

At Stena Line we contribute by connecting Europe and by connecting people and business. Our commitment to sustainability centers around five focus areas that support the United Nations’ Global Goals. Together we work to protect life below water, ensure a responsible consumption, increase the use of clean energy and ensure safety, good health and wellbeing for our guests and employees. And we embrace equality and inclusion in all aspects of our business.

Close to 90% of world trade is conducted over the oceans and shipping is the most energy efficient mode of transport in relation to cargo volume. Our journey to Connecting Europe for a Sustainable Future continues.

Background to the 2020 global sulphur limit – MARPOL Annex VI

The regulations for the Prevention of Air Pollution from Ships (Annex VI) seek to control airborne emissions from ships. The regulations to reduce sulphur oxide emissions introduced a global limit for sulphur content of ship’s fuel oil, with tighter restrictions in designated emission control areas (ECAs).

Since 1 January 2015, the sulphur limit for fuel oil used by ships operation in ECAs designated for the control of sulphur oxides has been 0.1%.

In October 2016, IMO decided that the proposed limit shall apply from 1 January 2020, which means the limit for sulphur in fuel oil used on board ships operating outside designated emission control areas will be reduced to 0.5% against the current limit of 3.5%. The interpretation of “fuel oil used on board” includes use in main and auxiliary engines and boilers.

2020 SECA legislation means that quality and thereby price of fuel will change!

If or when the price of MGO has dropped below this level, there will no longer be any SECA BAF and cost will be equal of 2019, only with different fuel quality. Our customers will then pay sea freight on the same level as was paid in sea freight + BAF during 2019 based on the average Brent (X USD) in current BAF model. When 0.5% sulphur fuel price is above the starting point, SECA BAF will be charged for cost increase compared to 2019.

Theoretical SECA BAF if not including old BAF into sea freight

Should we not have chosen to include the average BAF into the sea freight, we would have had to implement a substantially higher SECA BAF based on actual spread between 0.5% and LS380.

Stena Line’s SECA package consists of two components:
1) New SECA BAF
2) Old BAF based on October 2018 to September 2019 averages

We’re still uncertain as to what these increases might mean. During Autumn we’ll be running shadow calculations and will include these from September until December in readiness for full implementation from 1 January 2020.

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<th>BAF</th>
<th>SF 2019</th>
<th>SF 2020</th>
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<tr>
<td>New BAF (0.5%)</td>
<td>Theoretical SECA BAF if not including old BAF into sea freight</td>
<td>&quot;Fuel oil used on board&quot; includes use in main and auxiliary engines and boilers.</td>
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The new Sulphur Emission Controlled Area (SECA)

From 2020 the SECA area also includes the Irish Sea (darker blue area).

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A Sustainable Future

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