

# Lower sulfur limits in 2020

What this means for shipping

## WHAT IS THE NEW REGULATION ABOUT?

The allowed sulfur content in marine fuels will be drastically reduced

# 3.5% → 0.5%

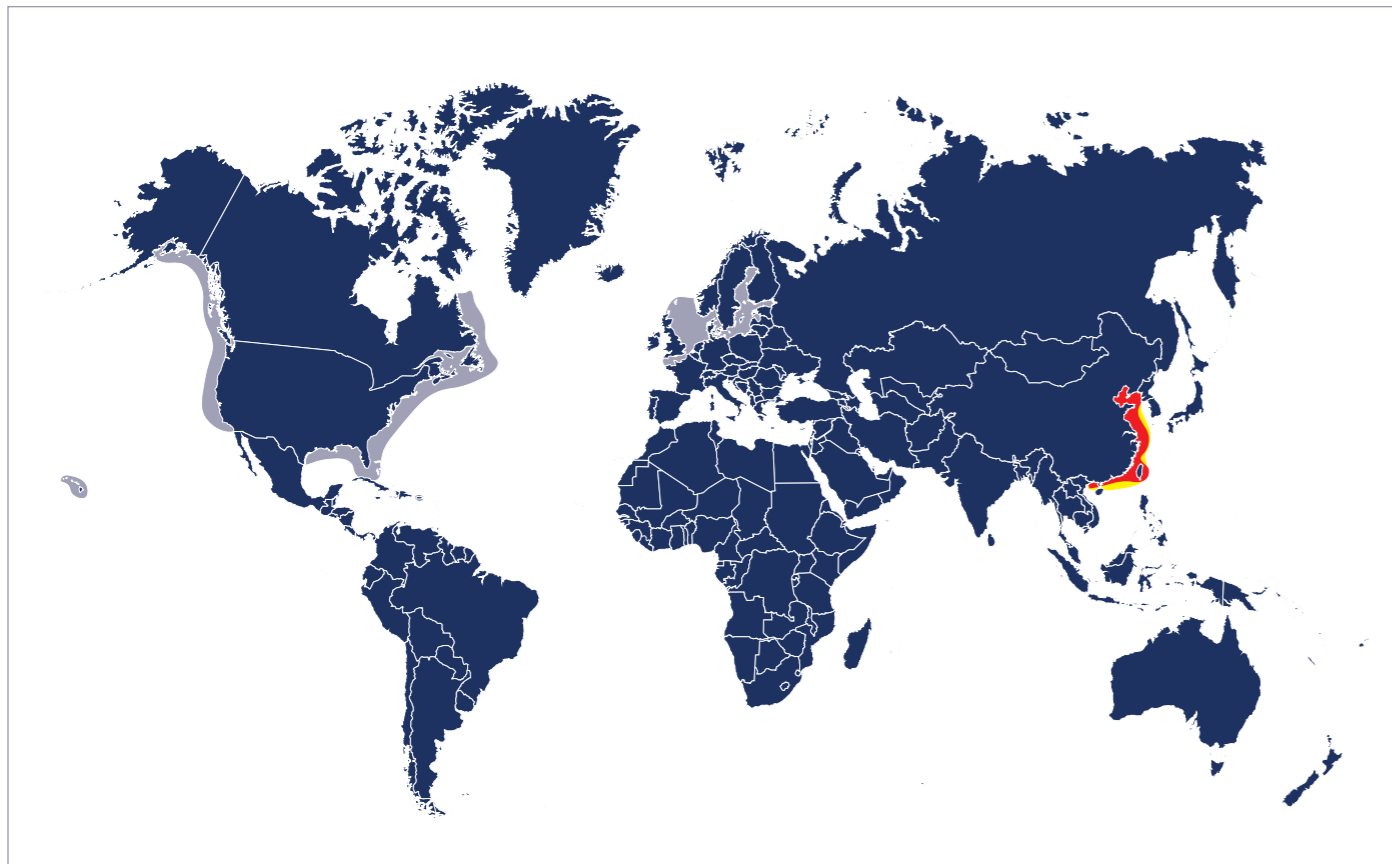
### SCOPE

Global regulation by the UN International Maritime Organization (IMO)

Applies worldwide with some (stricter) exceptions

### AFFECTED PARTIES

- Refiners
- Ship owners and operators
- Cargo owners
- Third-party logistics providers
- End users/consumers



● Emission Control Areas (ECAs) with existing 0.1% sulfur limit since 2015. ● ECA China, Hong Kong and Taiwan with 0.5% sulfur limit effective January 2019. ● ECA China with 0.1% sulfur limit effective January 2020.

# Higher ocean freight rates from 2019 and potential disruptions

What it means for cargo owners and what Panalpina is doing to support

## OPTIONS TO COMPLY

## ASSESSMENT

## SUPPLY CHAIN IMPACT

## PANALPINA ACTIONS

1. Low-sulfur fuel

Higher costs  
Uncertainty about timely supply and quality

Higher costs for

- ship owners, operators and carriers
- that will be passed on to
- cargo owners, third-party logistics providers and end customers

Monitor market and price developments

Inform customers about price developments on specific trade lanes

2. Scrubbers (exhaust cleaners)

Heavy investment  
Delays for installing equipment

Potential disruptions due to

- delays in fuel supply
- retrofitting
- denied port calls

Develop transparent and competitive pricing mechanism to pass increased costs from carriers to cargo owners

3. Alternative fuels (LNG, methanol)

LNG bunkering network underdeveloped

Advise and assist customers on avoiding potential supply chain disruptions

## QUESTIONS?

[sulfur.queries@panalpina.com](mailto:sulfur.queries@panalpina.com)