



IMO 2020

For greener shipping

The International Maritime Organization (IMO) has introduced new regulations to reduce marine pollution caused by the shipping industry. One of these new regulations is the IMO2020, also known as the MARPOL 2020, which requires all vessels to use fuel with a maximum sulphur content of 0.5% as of January 1, 2020. At present, the maximum sulphur content is 3.5%. This is the biggest shake-up of global shipping regulations in years and will make the industry significantly greener. On the other hand, it will also require significant investments, which will be mainly reflected in the fuel bills.

Hapag-Lloyd welcomes IMO2020

We fully support the new regulation and are delighted that the industry has taken a turn towards a greener future. Most of all, this regulation aims to create a level playing field for the industry.

Low sulphur fuel a key solution

Using low sulphur fuel oil will be the key solution for the shipping industry and Hapag-Lloyd to remain compliant. Furthermore, it is the most environmentally friendly solution in the short term.

However, Hapag-Lloyd is also thoroughly analysing other technological options that will be able to cover a small share of a fleet. This is why trials with a LNG conversion of one ship as well as EGCS Systems on two others will be conducted in the year 2019.

Three promising solutions for the shipping industry and Hapag-Lloyd



Compliant fuels



Liquefied natural gas



**Exhaust gas
cleaning systems**

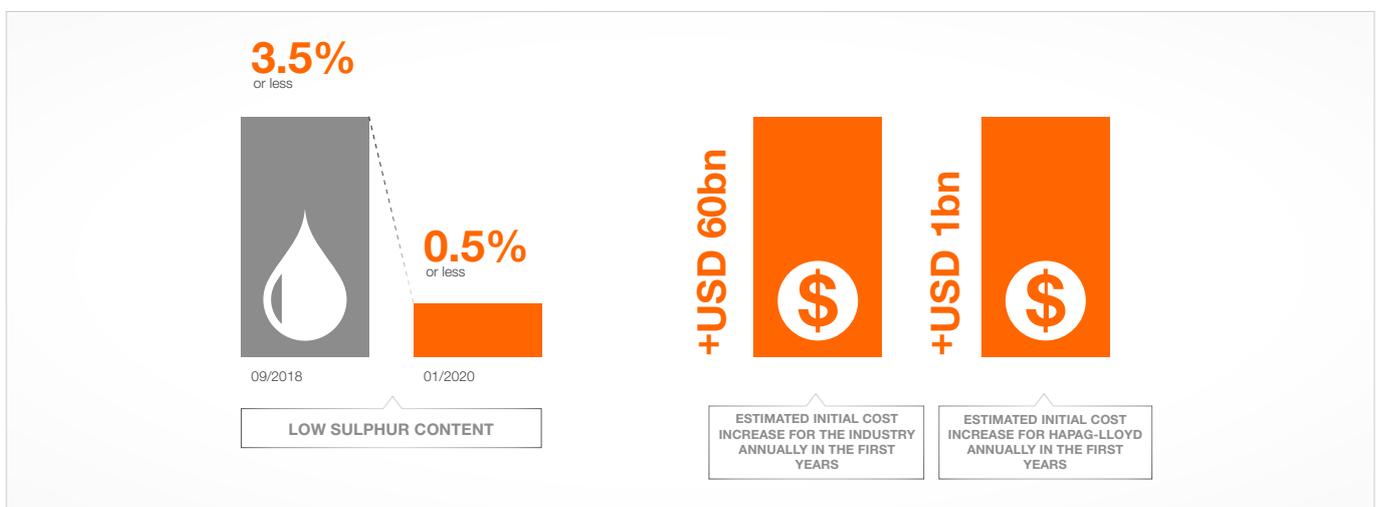
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Financial impact of IMO2020 on the industry

The new regulation will make the industry significantly greener, but this comes with a price. Complying with the IMO2020 will have a major cost impact on the industry, Hapag-Lloyd and our customers.

Experts are estimating an additional initial fuel cost of USD 60bn for the entire industry annually in the first years. Furthermore, Hapag-Lloyd is estimating its additional costs to amount up to USD 1bn annually in the first years. This is based on the assumption that the spread between HSFO and LSFO 0.5% will be USD 250. Installing EGCS is estimated to be around USD 7-10 million per ship; converting a large vessel to be LNG-ready will cost around USD 25-30 million. So this also comes with additional expenses.



Hapag-Lloyd is introducing a Marine Fuel Recovery mechanism

As part of the strategy to recover fuel-related costs caused by IMO2020, Hapag-Lloyd is introducing a transparent and fair mechanism called Marine Fuel Recovery (MFR). At the same time the company will replace all other fuel-related charges (e.g. BUC, EBS, BTC).

$$\text{MFR}_{\text{[per TEU]}} = \text{Fuel price}_{\text{[per TO]}} \times \frac{\text{Fuel consumption}_{\text{[TO]}}}{\text{Carried TEU}}$$

For more information about the MFR, visit www.hapag-lloyd.com

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