

Milano, 05/11/2019

Comunicazione circolare

## SULPHUR 2020 – CUTTING SULPHUR OXIDE EMISSIONS

From 1<sup>st</sup> of January 2020, the limit for Sulphur in fuel oil used on board ships operating outside designated emission control areas will be reduced to 0.50% m/m (mass by mass). This will significantly reduce the amount of Sulphur oxides emanating from ships and should have major health and environmental benefits for the world, particularly for populations living close to ports and coasts.

Limiting SO<sub>x</sub> emissions from ships will improve air quality and protects the environment.

The main type of “bunker” oil for ships is heavy fuel oil, derived as a residue from crude oil distillation. Crude oil contains Sulphur which, following combustion in the engine, ends up in ship emissions. Sulphur oxides (SO<sub>x</sub>) are known to be harmful to human health, causing respiratory symptoms and lung disease. In the atmosphere, SO<sub>x</sub> can lead to acid rain, which can harm crops, forests and aquatic species, and contributes to the acidification of the oceans.

### A very positive impact on human health

Limiting Sulphur oxides emissions from ships reduces air pollution and results in a cleaner environment. Please note that the IMO 2020 regulation focuses on the reduction of Sulphur emissions, not on the reduction of carbon dioxide emissions; there will not be a direct impact on the global warming. Reducing Sulphur emissions helps prevent acid rain and combats ocean acidification.

With the implementation of IMO 2020, the International Maritime Organization aims to reduce total Sulphur emissions from ships by 77% from 2020 until 2025. The overall objective is to reduce the negative impact of shipping on human health by decreasing air pollution from Sulphur emissions by 68% globally and in particular in the coastal areas of Asia-Pacific, Africa and Latin America.

### Shipping Industry: Impact on prices and T/Time

Shipping industry must prepare for a future with lower transport emissions. IMO 2020 will ensure that ocean transportation remains the most environmentally friendly and carbon efficient mode of transportation. By default, all fuel prices in the contracts are variable, i.e. they follow the upward or downward movement of the oil price. From the fourth quarter of 2019 Carriers will switch to the IMO 2020 compliant fuels VLSF / MGO for the BAF calculations, which tend to be more expensive than the Heavy Fuel Oil

According to current calculations, the expected increase in costs will have a significant impact on the overall prices of container transportation and on freight rates. Whilst the implementation date for IMO 2020 is January 1<sup>st</sup> 2020, we anticipate freight rates to increase as early as the end of the third quarter of 2019. So far, we have no information about any planned changes to timetables. However, schedule delays may occur due to insufficient availability of suitable fuels or slower steaming in order to recover the costs for the more expensive IMO 2020 compliant fuel.

Our team will provide you updated information in total transparency in order to enable you to prevent possible disruptions in your supply chain while ready to support you in case of any additional requirement.

The Management

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