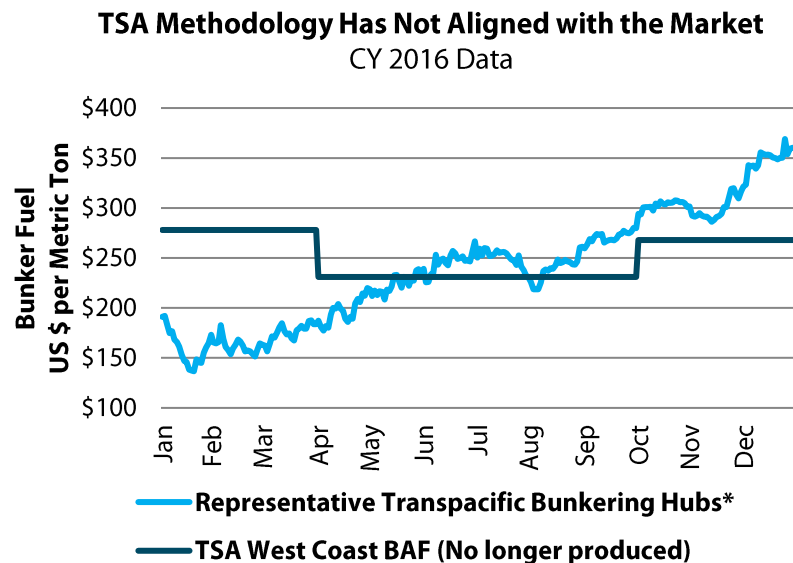


## Bon Voyage Bunker Charge Calculator: TSA's Guideline Fuel Formula No Longer Available

The Transpacific Stabilization Agreement (TSA), a collaborative forum for ocean container shipping lines serving the world's second-largest trade lane between Asia and North America, has announced it will no longer publish its guideline formula for calculating fuel costs. Instead, the TSA will only offer a single weekly average fuel price for the six million 40-foot containers that travel the trade lane annually.

TSA member lines, including Maersk, MSC, and Hapag-Lloyd, "determined that rapidly changing market conditions, sailing characteristics and cost structures made it impractical to continue publishing a single TSA recommended guideline formula." The TSA website further notes, "TSA lines will use the weekly average fuel prices as a resource, but may also factor in their own distinct costs and pricing objectives in developing their bunker charge policies which, in any event, have always been subject to individual adaptation."

The TSA will offer only the weekly average fuel price moving forward. Precise fuel cost calculations require knowledge of vessel efficiency, trade lane distance and geography, transaction timing, tax and fuel prices. The chart at right shows the TSA West Coast calculated costs did not match the dynamics of benchmark port averages, and lagged the market as prices increased over time. Shippers will need to find a more accurate method for determining actual market fuel costs within the world's second-largest trade lane.



\*Hubs include Los Angeles, USA; Xiamen, China; Yantian, China

The change to TSA member lines' fuel pricing methodology comes while marine fuel costs are a clear focus for the industry. Bunker Fuel makes up most of an ocean carrier's operating costs (as much as 75 percent) and carriers will likely experience upward price pressure soon. Container lines are preparing for the International Maritime Organization's requirement for ships to burn low-sulfur bunker fuel starting in 2020. This regulatory change has, and will continue to make bunker fuel costs a talking point for the next few years, as it could cost the industry more than \$50 billion.

Breakthrough®Fuel expects this change will create more uncertainty in an already changing marine environment. Breakthrough®Fuel offers a Marine Fuel Management solution designed to create transparency and consistency in fuel reimbursement practices. Please contact [Daniel Cullen](#), Vice President of Advisory Services at Breakthrough®Fuel, to learn more about the impact of the TSA announcement on your business and how Breakthrough®Fuel can provide a solution.