

UNDERSTANDING OUR FUEL SURCHARGE MECHANISM



OUR FUEL SURCHARGE MECHANISM

DYNAMIC SHIFTS IN OIL PRICES GLOBALLY

Emirates SkyCargo’s fuel surcharge mechanism was implemented in 2017 to help manage the uncertainty of global oil prices and recover the incremental fuel cost required to operate our business in a viable way. The mechanism, which you can access [here](#), is posted on our website and is updated weekly with information sourced from S&P Global Insights (formerly S&P Global Platts, or Platts).

S&P Global Insights is a provider of global energy information around the world that has been in business in various forms for more than a century and is now a division of The McGraw-Hill Companies. Products include Platts Energy Economist, industry news and price benchmarks for the oil, natural gas, electricity, nuclear power, coal, petrochemical and metals markets. S&P Global Insights uses bids, offers and trades to set the price for hundreds of opaque, over-the-counter physical oil and energy products every day. S&P Global Insights pricing has been the benchmark for oil trading for generations.

Given the global nature of our business, Emirates procures jet fuel from multiple jurisdictions and vendors. To calculate the average price per barrel of jet fuel, Emirates SkyCargo monitors 10 global markets detailed below:

- FOB Arab Gulf Cargo
- FOB Singapore Cargo
- CIF North West Europe
- FOB Rotterdam Barge
- Los Angeles Pipeline
- US Gulf Coast Pipeline
- FOB Mediterranean Cargo
- US Gulf Coast Waterborne
- New York Harbour Barge
- FOB Chicago Pipe

Emirates SkyCargo extracts data from each market, daily, taking the average of the high and low point. We then take the average of each day from each of the 10 markets and derive a US/c per gallon and USD per barrel to calculate our index. Our baseline index of 100 is set to USD1.428571 per US Gallon or USD60.00 per barrel. For every USD5.00 increase (starting at USD65.00) in the average price across all markets, Emirates SkyCargo’s tiered fuel surcharge mechanism is applied.

HOW DOES THE INDEX WORK?

To ensure we are capturing a true market trend, we require the index to remain at the same level or above for 2 weeks with a further 1 weeks’ notice prior to implementation. This is also representative of the practice followed when the price of oil decreases.

Our fuel surcharge mechanism takes into account a number of factors. By way of example, it is split into 2 defined product categories, Perishables and all other products. The reason for this split is to cater for the nature and value of the goods being transported. Further to the product split, the mechanism is segmented into distance (short, medium, long) tiers to ensure we charge an appropriate amount for the time travelled and fuel consumed, whether it be on a full freighter or scheduled passenger aircraft.

88.154

44.186

OUR FUEL SURCHARGE MECHANISM

A summary of the increase by tier, distance and product is detailed below:

ALL PRODUCTS EXCLUDING PERISHABLES

IMPLEMENTATION / INCREASE FUEL SURCHARGE APPLICATION				
LEVEL	FUEL INDEX	SHORT HAUL (IN \$/€ PER KG)	MEDIUM HAUL (IN \$/€ PER KG)	LONG HAUL (IN \$/€ PER KG)
1	108	0.03	0.05	0.07
2	117	0.06	0.10	0.14
3	125	0.09	0.15	0.21
4	133	0.12	0.20	0.28
5	142	0.15	0.25	0.35
6	150	0.18	0.30	0.42
7	158	0.21	0.35	0.49

PERISHABLE PRODUCTS

IMPLEMENTATION / INCREASE FUEL SURCHARGE APPLICATION				
LEVEL	FUEL INDEX	SHORT HAUL (IN \$/€ PER KG)	MEDIUM HAUL (IN \$/€ PER KG)	LONG HAUL (IN \$/€ PER KG)
1	108	0.01	0.02	0.03
2	117	0.02	0.04	0.06
3	125	0.03	0.06	0.09
4	133	0.04	0.08	0.12
5	142	0.05	0.10	0.15
6	150	0.06	0.12	0.18
7	158	0.07	0.14	0.21

Similarly, when the price of oil decreases, so does our fuel surcharge.

A summary of the decrease by tier, distance and product is detailed below:

ALL PRODUCTS EXCLUDING PERISHABLES

REDUCTION / SUSPENSION FUEL SURCHARGE APPLICATION				
LEVEL	FUEL INDEX	SHORT HAUL (IN \$/€ PER KG)	MEDIUM HAUL (IN \$/€ PER KG)	LONG HAUL (IN \$/€ PER KG)
6	150	0.18	0.30	0.42
5	142	0.15	0.25	0.35
4	133	0.12	0.20	0.28
3	125	0.09	0.15	0.21
2	117	0.06	0.10	0.14
1	108	0.03	0.05	0.07
	100	Fuel Surcharge will be suspended		

PERISHABLE PRODUCTS

REDUCTION / SUSPENSION FUEL SURCHARGE APPLICATION				
LEVEL	FUEL INDEX	SHORT HAUL (IN \$/€ PER KG)	MEDIUM HAUL (IN \$/€ PER KG)	LONG HAUL (IN \$/€ PER KG)
6	150	0.06	0.12	0.18
5	142	0.05	0.10	0.15
4	133	0.04	0.08	0.12
3	125	0.03	0.06	0.09
2	117	0.02	0.04	0.06
1	108	0.01	0.02	0.03
	100	Fuel Surcharge will be suspended		