

# Opening line

Trans-Pacific contract talks accelerating  
after Walmart signs  
By Bill Mongelluzzo

Container lines that paused trans-Pacific service contract talks to assess the impact of the war in the Middle East are back at the table, and expectations are that major retailers will sign as Walmart, the largest US importer, has finalized its 2026-27 contracts with its core of half-dozen carriers, according to two sources familiar with the matter in conversation with the *Journal of Commerce*.

The move opens the door for other major retailers and, in turn, smaller importers and then non-vessel operating common carriers to ink their own service contracts, which typically go into effect May 1.

Despite the unknowns in terms of length and scope of the ever longer Middle East war, carriers say big-box retailers want to lock in vessel capacity, and they, as well

as some forwarders, are urging customers to move expeditiously in their contract negotiations, rather than allowing uncertainties in global trade to deter them.

"We now have seen an unpredictable shock to the global ocean market in like four of the last six years," a carrier executive who asked not to be named told the *Journal of Commerce*. "Some BCOs [beneficial cargo owners] recognized that and wanted to take risk off the table; they signed early and at higher rates than many were predicting."

The executive added that analyst forecasts of supply and demand have rarely matched reality in recent years due to that outsized volatility. Geopolitical events including diversions away from the Red Sea, unpredictable US tariff policy and even more weather events, impacting ocean reliability, have begun to shift some shippers' thinking, he said.

"Some shippers have come to realize that pushing carriers well below breakeven to save a few cents on their cost of goods is not worth the risk of a major unpredictable event happening," the executive said.

## 'Not helpful to anyone'

While securing space remains paramount for cargo owners, rising bunker fuel prices, driven by the closure of the Strait of Hormuz, are also driving contract discussions regarding bunker fuel adjustment factors. Shippers are reluctant to compensate carriers for the rising operating costs tied to the Middle East on a trade lane that is not directly impacted.

"The uncertainty and waiting around for clarity or

Walmart signing sets the stage for other large retailers, followed by smaller importers and NVOs.  
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resolution is not helpful to anyone," said Kevin Parkerson, a consultant and former logistics manager at retailers. "Yes, it may impact overall capacity. Yes, it may delay the process of contracting. Everybody seems to be proceeding cautiously." But at this point, that shouldn't delay the process of contracting. Everybody seems to be proceeding cautiously. Securing capacity in the Asia-US West Coast trade is currently not a significant issue that would slow negotiations.

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"Asia to the West Coast will be fine," a second carrier executive told the *Journal of Commerce*, noting that if the war in the Middle East continues, East Coast routings from the Indian sub-continent could be impacted by the congestion that is already building at some ports in the region. In the interim, most importers would be wise to secure the minimum quantity commitments in their contracts as soon as they have a handle on what their space requirements will be, a third carrier executive said.

"Those BCOs who are slow-walking their negotiations to wait for better prices — it may backfire," the source said.

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## Recouping costs or generating revenue?

Iran war reignites age-old debate over fuel surcharges  
By Greg Knowler

The speed and severity of the jump in global oil prices amid the war in the Middle East have reignited longstanding suspicions by cargo owners that fuel surcharges levied by container lines are used as a revenue stream rather than a cost recovery mechanism. Carriers defend the fees, which range from \$30 to \$300 per TEU, depending on the lane, arguing that what may be the most significant energy shock in history has forced them to recoup costs with fees beyond the lagging quarterly bunker adjustment factor (BAF). Bunker fuel prices contribute 15% to 30% of operating costs, depending on the year, according to carrier earnings reports.

And while the traditional linkage between fuel costs and BAFs has fractured due to the rapid escalation of the war and the effective closure of the Strait of Hormuz, according to a Vizion analysis, shippers nonetheless retain a cynical view of the emergency fuel surcharges.

"Shipping lines always seem to manage to turn a crisis into a cash grab," was the blunt message from James Hookham, director of the Global Shippers Forum. "This apparent 'double dipping' brings the whole sordid practice of surcharging into further disrepute."

Emergency bunker adjustment factors (EBAFs) on top of quarterly fuel price adjustments to recover costs in what is a core operational expense were acceptable for the current contract period ending March 26, said Antonios Rigalos, managing partner of shipper network ShiftX. But going forward, increased bunker costs should be recovered by the quarterly BAF review, he noted.

"The BAF reviews executed for Q3 will reflect the higher bunker costs for the previous quarter [March through May], and an EBAF plus BAF review would create a double charging of customers," Rigalos said. "While we understand the situation of carriers and that increased bunker costs have a big impact that somehow needs to be recovered, it needs to be carried out in a fair way and not by double charging BCOs [beneficial cargo owners] and clients."

Several carriers have announced emergency bunker fuel surcharges on top of quarterly fuel price adjustments to recover costs in what is a core operational expense, but the moves have sparked growing concern from shippers.

An Asia-Europe shipper based in Hong Kong said he negotiated contracts based on the Shanghai



War-related emergency fuel fees range from \$30 to \$300 per TEU depending on the carrier and trade. Shutterstock.com

Containerized Freight Index (SCFI) that covers both BAF and EBAF surcharges.

"We adjust the bunker fuel surcharge bi-monthly and far as we are concerned, we will fight any additional emergency fuel surcharge from the carriers," the source said.

## Long hauls hit with surcharges

CMA CGM has already upwardly revised its "emergency fuel surcharge" imposed on March 16 from \$150 per TEU to \$265 per TEU on all long-haul trade lanes.

OOCL said it will impose a temporary emergency bunker surcharge (EBS) from March 23 to manage global challenges to fuel availability because the increased costs are "beyond the scope of existing fuel cost recovery and low sulfur adjustment mechanisms."

**"Shipping lines always seem to manage to turn a crisis into a cash grab."**

Cosco Shipping has also announced emergency bunker surcharges on various trades between Europe, South America and Africa, while Mediterranean Shipping Co. introduced a temporary emergency bunker surcharge on March 16 that varies from \$30 per TEU to \$300 per TEU depending on the trade lane.

Maersk on March 10 announced it would implement a temporary emergency bunker surcharge of \$200 per TEU on all long-hauls "to safeguard cargo integrity and maintain the stability of our network."

"This surcharge covers the impact of fuel availability, cost and mix outside of what is covered in our fossil fuel fee [FFF]," the carrier said in a statement. "This means we are better positioned to have the necessary access to fuel and the ability to move it to necessary locations."

Maersk CCO Karsten Kildahl said the carrier was forced to take the unprecedented step of filling ships with fuel in the US and Europe and transferring the bunkers to vessels in Asia as supplies at bunkering hubs dried up.

Most of the emergency fuel surcharges will be reviewed by carriers every two weeks, but with the Strait of Hormuz — through which about 20% of global oil and liquefied natural gas supplies move each day — out of bounds to commercial shipping, there is little chance the EBAF will be dropped anytime soon.

The speed with which the fuel surcharges were imposed by carriers made it "nigh on impossible" for shippers to recover costs from their own customers or suppliers, Hookham told the *Journal of Commerce*.

"For smaller businesses, that cash flow hit can be fatal when payments are likely to be late due to late or non-delivery of cargo," he said, noting that the number of surcharges being introduced made it difficult for shippers to track which ones applied to their shipments.

"The US got it right when the [Federal Maritime Commission] required 30-day notice periods before surcharges

could take effect on US services," Hookham said. "The current surcharging behavior will only hasten demands for similar notice periods to become mandatory worldwide."

### Fractured fuel links

While carriers roll out their fuel surcharges to try to recover rising costs, freight tracking platform Vizion believes the traditional linkage between fuel costs and BAFs has fractured due to the rapid escalation of the war and the effective closure of the Strait of Hormuz.

In a recent review of bunker surcharges, Vizion noted that average very low sulfur fuel oil (VLSFO) prices of \$535 per metric ton in 2025 were down 14.4% year over year, the lowest since 2020, with BAF contributing just 10% to 20% to total freight costs.

The launch of US and Israeli strikes on Iran on Feb. 28 triggered a 73% fuel price spike to \$939 per metric ton in under two weeks, and carriers within days responded with emergency surcharges of \$60 per TEU to \$190 per TEU, far faster than standard quarterly BAF adjustments. That shows the traditional BAF fuel-price correlation has weakened as carriers shift to emergency mechanisms to manage extreme volatility, according to Vizion.

But Vizion said a deeper trend was emerging with a market fracture in progress as carriers divided into two camps: immediate risk transfer versus contract stability. Carriers such as Maersk initially absorbed the volatility to protect long-term contract relationships, although the carrier has subsequently announced an emergency fuel surcharge. A more aggressive strategy was taken by MSC and CMA CGM, with both adopting a rapid pass-through of fuel spikes to protect their margins immediately.

Shippers with locked-in rates will enjoy a short-term cost advantage, but it will be a temporary relief before fuel adjustments hit. Vizion warned that over the next three to six months, shippers can expect aggressive second-quarter BAF corrections to capture the remaining fuel cost delta.

Chantal McRoberts, director and head of advisory at Drewry Supply Chain Advisors, said shippers understand they will pay an increased fuel cost in the third quarter as that is part of the BAF policy that enables carriers to recover fuel costs over time.

"The concern around the introduction of EBAF is the potential for double recovery," McRoberts told the *Journal of Commerce*. "In practice, a shipper

may pay an EBAF during Q2 to reflect higher fuel prices and then see its underlying BAF increase in Q3 as the formula catches up with those same Q2 fuel costs. At that point, the EBAF risks becoming revenue-generating rather than purely cost-recovering.

"This is the dilemma currently facing shippers," she added. "As a result, those operating under transparent, formula-based BAF mechanisms are, in many cases, pushing back on EBAF charges."

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