

Tuesday 30th November 2021

## **Customer Advisory**

### **2022 Port Tariff – Energy Adjustment Mechanism (EAM) & Fuel Duty Recovery (FDR)**

DP World in the UK is at the heart of Britain's trading future. We enable our customers' international supply chains to serve the UK economy through safe and efficient sea, road and rail connections. We aim to think ahead and anticipate change so that our customers have choices to optimise trade solutions.

This customer advisory provides information about the 2022 Port Tariff and introduction of an Energy Adjustment Mechanism (EAM) and Fuel Duty Recovery (FDR).

#### **2022 Port Tariff**

Our 2022 Port Tariff for shipments through DP World Southampton from 1st January, 2022 is available at: <https://www.dpworld.com/southampton/port-info/tariffs-and-charges>

The 2022 Port Tariff has been updated and reflects the annual RPI of 6% published by the UK Government on 17th November 2021: <https://www.ons.gov.uk/economy/inflationandpriceindices>

The UK economy is currently experiencing significantly elevated energy prices. The cost of energy at DP World Southampton for 2022 is forecast to increase by almost 50% compared to 2021 levels. In addition, the UK Government has announced the removal of the lower rate of fuel duty on red diesel for UK port operators from 1st April, 2022. While we strive for ongoing process efficiencies, our port facility continues to require significant energy to operate.

Unfortunately, with such a fundamental increase in energy prices, we have to share the impact with our supply chain partners through the introduction of EAM and FDR fees.

To reflect the introduction of the EAM and FDR we have restricted the inflationary adjustment to 3.9% for goods examination charges.

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### **Energy Adjustment Mechanism (EAM) fee**

To protect supply chains serving the UK economy from wholesale energy price volatility DP World Southampton intends to enter into fixed price arrangements with energy suppliers for 2022. The incremental impact of this is £9.45 per import laden container compared to 2021 levels. This excludes the impact of increased fuel duty which takes effect from 1st April 2022.

Energy prices for 2H, 2022 will be reviewed in April 2022 and to manage any further price impact to our customers, **DP World Southampton will apply a price cap of £9.75 to the EAM fee in 2022.**

Therefore, the EAM fee that will be effective at DP World Southampton from 1st January 2022 will, in summary, comprise the following:

- **The EAM fee will be £9.45 per import laden container**
- **The EAM fee will be reviewed in April 2022 and may be adjusted 1st July, 2022**
- **The EAM fee will be levied to the clearing agent who makes the customs declaration**
- **The clearing agent will be credited 25p per EAM fee paid to cover the administrative costs associated with the transaction**

### **Fuel Duty Recovery (FDR) fee**

In addition to elevated wholesale energy prices, from April 2022 fuel duty will be fully applied to all our port operations in the UK. This represents an increased cost of almost 90% on our Q2, 2021 diesel prices. Unfortunately, DP World Southampton will have to adjust the Port Tariff to recover this.

The UK Government passed legislation in June 2019 guaranteeing that the British economy would end its contribution to global warming by no later than 2050. Various steps are underway including the provision of the Finance Bill 2021 and secondary legislation which restricts the use of 'Red Diesel' in UK port facilities.

Summary details of this legislative change can be found at:

<https://www.gov.uk/government/publications/reform-of-red-diesel-entitlements/reform-of-red-diesel-and-other-rebated-fuels-entitlement>

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As such DP World Southampton is introducing a FDR fee effective from 1st April 2022 to recover these additional costs and will, in summary, comprise the following:

- **The FDR fee will be £4.75 per import laden container**
- **The FDR fee will be made to the clearing agent who makes the customs declaration; and**
- **The clearing agent will be credited 25p per FDR fee to cover administrative costs associated with the transaction**

We commit to review the FDR fee on an ongoing basis to reflect the fuel duty impact over time as we continue our energy transition towards net zero.

Further information is included in the attached Frequently Asked Questions. Should you have a specific question please email [commercial@dpworldsouthampton.com](mailto:commercial@dpworldsouthampton.com).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'John Trenchard'.

**John Trenchard**  
**Commercial & Supply Chain Director, DP World UK**

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Frequently Asked Questions



## Frequently Asked Questions

### Energy Adjustment Mechanism

#### **What are the benefits to customers of the EAM?**

By forward buying energy at DP World Southampton for 2022, we will reduce the impact of energy cost fluctuations imposed on supply chains serving the UK economy and ensure that supply chains can rely on the world class service provided for our customers.

#### **How do you calculate the EAM?**

The EAM at DP World Southampton is formulated to assess the increase in energy costs for 2022 as compared to the energy cost baseline period, defined as the 12 months to 31st October 2021. The impact of fuel duty is excluded from this assessment. The increased energy costs are then apportioned by forecasted 2022 import laden containers.

#### **Why can you not cover the energy price increases yourselves at DP World Southampton?**

Energy costs for port operations will increase by almost 50% in 2022. DP World Southampton is a significant user of energy and is geared to operate with a normal level of fluctuation in energy prices. Recent energy market developments causing elevated prices are forcing many industries to examine how to adapt operations. As a critical supply chain partner, we feel that the EAM gives customers stability both in serving supply chains and pricing for 2022.

#### **DP World Southampton has already recently implemented an Energy Transition Contribution, why can that not cover the EAM?**

The Energy Transition Contribution by design cannot be used to fund energy cost rises on existing operations.

The Energy Transition Contribution has been implemented to accelerate the journey to zero carbon operations at DP World Southampton by investing in new technologies and operations. The end game is carbon neutral operations by 2050 through electrification or green hydrogen, with intermediate steps of hybrid technology and 'drop in' lower carbon fuels on the roadmap. The current disturbance in energy markets serves to emphasise the need to accelerate the energy transition and reduce the dependence on volatile hydrocarbon markets.



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### **Why are importers covering this charge?**

Import laden containers are the dominate flow for the UK economy and therefore drive operational requirements for our container terminals in the UK. A high proportion of containers are shipped out of the UK empty, so that they can be repositioned for re-loading. We believe that recovering the elevated energy costs through the EAM applied equally across all laden import containers is a fair apportionment for international supply chains serving the UK economy.

### **What about the agents / declarants cost incurred in collecting the EAM?**

Our invoices will reflect the additional administrative costs associated with the transaction and will show a reduction in respect of a 25p administration fee per container. The net invoice charge to the agent / declarant will be £9.20 per import laden container from 1st January 2022.

### **When does the EAM apply?**

The EAM fee will be applied for all laden import containers leaving our terminals at DP World Southampton after 00:01 on Saturday 1st January, 2022

### FDR Fee

### **What are the benefits to customers of the FDR Fee?**

The UK Government has legislated that fuel duty will be imposed on all UK port operations from April 2022. By specifically isolating the incremental impact of fuel duty, DP World Southampton will be able to regularly review fuel usage and adjust the fee to reflect the duty effect as we transition towards net zero operations.

By providing more than 120 days notice to our customers we aim to provide sufficient time to prepare for this change.

### **Why can DP World Southampton not fund the fuel duty increase?**

The move from 'Red Diesel' to full duty applied diesel represents a cost increase of almost 90% over Q2,2021 fuel prices. We are actively looking at driving down the use of hydrocarbons as part of our energy transition, but an increase of this magnitude unfortunately has to be shared with our supply chain partners serving the UK economy.



**DP World Southampton has already recently implemented an Energy Transition Contribution, why can that not cover the fuel duty impact?**

The Energy Transition Contribution by design cannot be used to fund energy cost rises on existing operations.

The Energy Transition Contribution has been implemented to accelerate the journey to zero carbon operations at DP World Southampton by investing in new technologies and operations. The end game is carbon neutral operations by 2050 through electrification or green hydrogen, with intermediate steps of hybrid technology and 'drop in' lower carbon fuels on the roadmap.

The current disturbance in energy markets serves to emphasise the need to accelerate the energy transition and reduce the dependence on volatile hydrocarbon markets.

The FDR fee is aligned to cover the impact of the new fuel duty imposed on the operation.

**When will the FDR fee finish?**

The target is clear, net zero emissions for the UK by no later than 2050 with significant steps made earlier in the journey. As we reduce dependence on hydro-carbon fuels the volume base for the FDR assessment will reduce. It is in all our interests to progress to net zero at a pace. The FDR Fee will be adjusted on a regular basis to reflect changes in fuel usage and fuel duty levels.

**What about the agents / declarants cost incurred in collecting the FDR fee?**

Our invoices will reflect this and will show a reduction in respect of a 25p administration fee per import laden container. The net invoice charge to the agent / declarant will be £4.50 per container from 1st April 2022.

**Why are DP World Southampton only applying the FDR fee to import laden containers?**

Import container flows dictate the port throughput requirements of our container terminals in the UK. A high proportion of containers are shipped out of the UK empty, so that they can be repositioned for re-loading. We believe recovering the FDR fee equally across all laden import containers is a fair apportionment for international supply chains serving the UK economy.

**When do you plan to start charging the FDR Fee?**

The Fuel Duty Recovery Fee will be applied for all laden import containers leaving our terminals at DP World Southampton and DP World Southampton after 00:01 on Friday 1st April, 2022.