

# **Abstract**

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## **Using the bunker adjustment factor as a strategic decision instrument**

The bunkering adjustment factor (BAF) is an additional charge levied and payable by the shippers in order to compensate for fluctuations in the bunker price of the ship's fuel. The BAF has been used in the liner shipping industry in case of full container loads since the 1950s. After the oil shock in the 1970s, this surcharge gained importance (Cariou and Wolff, 2006 Meersman et al., 2015a). In other shipping segments and less than container load (LCL), the BAF is either a lump sum or a percentage based on weight measurement (W/M). This surcharge is calculated separately for each trade lane based on a typical vessel operating on that lane. The strategic decision is different per trade lane. A floating BAF allows transferring the risk of bunker price volatility to the shipper sharing savings when crude oil and bunker prices respectively go up or down. Meersman et al. (2015a) provide a detailed theoretical framework of this relationship.